

This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale. No securities commission or similar authority in Canada has in any way passed upon the merits of the securities offered hereby and any representation to the contrary is an offence.

NEW ISSUE**NU-WEST DEVELOPMENT CORPORATION LTD.****COMMON SHARE ISSUE****● CLASS "A" CONVERTIBLE SHARES**

(after giving effect to the proposed two for one share split)

The Class "A" Convertible shares are listed on the Alberta and Toronto stock exchanges. On ●, 1979, the closing sale price on The Toronto Stock Exchange of the Class "A" Convertible shares was \$ ●. See Price Range and Trading Volume of Common Shares.

In the opinion of counsel, Class "A" Convertible shares will be eligible for investment under the Canadian and British Insurance Companies Act and certain other statutes as stated under Eligibility for Investment.

Price: \$ ● per share

	Price to Public	Underwriting Commission	Proceeds to Company (1)
Per Share	\$ ●	\$ ●	\$ ●
Total	\$ ●	\$ ●	\$ ●

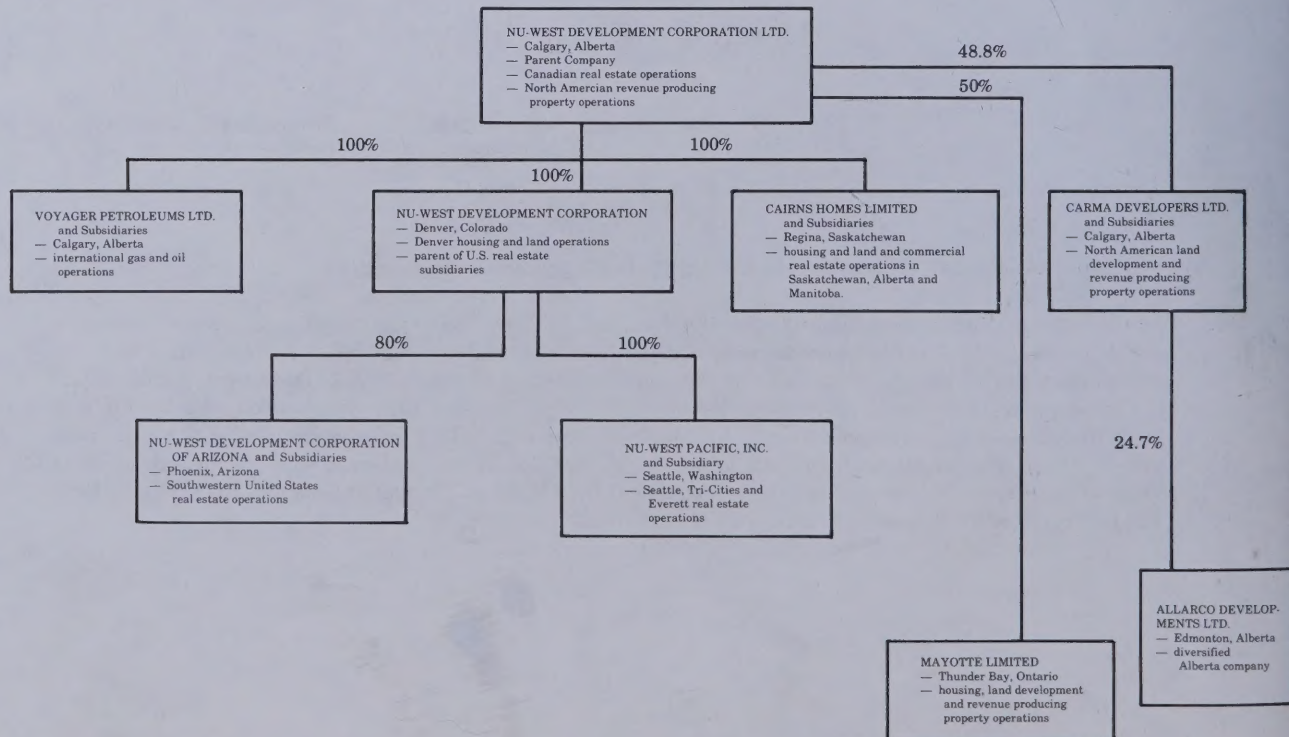
(1) Before deducting a financial advisory fee of \$50,000 and other expenses of the issue estimated at \$125,000.

We, as principals, conditionally offer these Class "A" Convertible shares subject to prior sale, if, as and when issued by Nu-West Development Corporation Ltd. and accepted by us in accordance with the conditions contained in the Underwriting Agreement referred to under Plan of Distribution and subject to the approval of all legal matters on behalf of Nu-West Development Corporation Ltd. by Field & Field of Edmonton, and on our behalf by Macleod Dixon of Calgary. Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that the Class "A" Convertible shares in definitive form will be available for delivery on or about ●, 1979.

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CORPORATE STRUCTURE



NU-WEST DEVELOPMENT CORPORATION LTD.

PROSPECTUS HIGHLIGHTS

Real Estate

The Company, its subsidiaries and affiliates, other than Voyager, constitute one of the larger real estate development groups in North America which are engaged in the construction and sale of residential housing, land assembly, land development, contract building and the development, construction, ownership and management of revenue producing properties.

Nu-West has a demonstrated growth record. In 1978, Nu-West's revenues, net earnings and cash flow were \$407.7 million, \$27.1 million and \$26.6 million respectively. During the six months ended June 30, 1979, Nu-West's revenues, net earnings and cash flow, including Voyager, were \$221.6 million, \$9.8 million and \$17.8 million respectively. Various transactions shown under Major Acquisitions and Dispositions could have a significant impact on Nu-West's results in the current year.

Oil and Gas — Voyager

On June 6, 1979, the Company completed the acquisition of 100% of the outstanding shares of Voyager for approximately \$196,000,000.

Voyager has extensive petroleum and natural gas interests in the east-central region of Alberta, which combined with other holdings in Canada, the United States, the United Kingdom, and Australia, total more than 13,800,000 gross and more than 4,000,000 net acres of oil and gas rights. Voyager's proven crude oil and natural gas reserves before royalties as at January 1, 1979 as estimated by DeGolyer and MacNaughton aggregated over 451,000,000 Mcf of natural gas and 448,000 barrels of crude oil, condensate and natural gas liquids.

Virtually all of Voyager's producing properties and development lands are in east-central Alberta and are covered by a "take or pay" gas sales contract. The buyer is obligated to re-determine reserves and accept additional sales volumes of gas, if applicable, at least once every two years.

In 1978, Voyager's revenues, net earnings and cash flow were \$22.7 million, \$12.3 million and \$19.5 million respectively. Voyager's exploration and development budget for 1979 is approximately \$25 million. Voyager anticipates participating in approximately 225 wells during 1979 of which approximately 150 wells will be drilled at little or no cost to Voyager.

The Offering

Security to be offered:	Class "A" Convertible shares
Price:	\$ ●
Delivery date:	●, 1979
Use of proceeds:	reduction of bank indebtedness incurred in the ordinary course of business and in the acquisition of shares of Voyager
Eligibility:	will qualify for investment under the Canadian and British Insurance Companies Act and certain other statutes

Dividends

The board of directors of the Company has indicated its intention to increase the annual dividend rate on its Class "A" Convertible shares to \$0.30 per share annually after the proposed two for one share split.

The above information is a summary only. Reference is made to the detailed information appearing elsewhere in this prospectus.

NU-WEST DEVELOPMENT CORPORATION LTD.

The predecessor of Nu-West Development Corporation Ltd. (the Company) was incorporated under the laws of the Province of Alberta on April 7, 1945, by Memorandum and Articles of Association. The Company is the continuing company following an amalgamation under the laws of the Province of Alberta of eight companies in 1960 and six companies in 1969.

The Company has the following wholly-owned operating subsidiaries: Voyager Petroleums Ltd., Cairns Homes Limited (Cairns), Nu-West Development Corporation (NWC), Ashford Realty Ltd., Nu-West Mortgage and Investments Ltd. and Nu-West Construction Products Ltd.. NWC has a wholly owned operating subsidiary, Nu-West Pacific, Inc. and an 80% owned operating subsidiary, Nu-West Development Corporation of Arizona (NWA).

The Company has investments in several operating companies (affiliates) which are accounted for on the equity basis in its financial statements. These investments include a 48.8% interest in Carma Developers Ltd. (Carma).

In this prospectus, unless the context otherwise indicates, Nu-West refers to the Company together with its subsidiaries and, unless otherwise indicated, all references to currency are to Canadian dollars.

The address of the Company's head and principal office is: 3030 Second Avenue North East, P.O. Box 6958, Postal Station "D", Calgary, Alberta T2P 2R6.

BUSINESS AND PROPERTY OF NU-WEST

Nu-West and its affiliates are principally engaged in the construction and sale of residential housing, land assembly, land development, contract building, the development, construction, ownership and management of revenue producing properties and exploration for and development and production of oil and gas.

Nu-West has a demonstrated growth record in the real estate industry and has recently acquired Voyager Petroleums Ltd. in the oil and gas industry. See Management Discussion and the Consolidated Financial Statements.

Management's current objectives include:

- to increase market share in existing housing and land development operations;
- to emphasize the continued exploration for and development of oil and gas reserves in east-central Alberta where Voyager has a market for its production;
- to increase expenditures on real estate operations in the United States;
- to expand Nu-West's capabilities to develop commercial and industrial properties for its revenue producing property portfolio and for third parties; and
- to increase oil and gas exploration and development activities in politically secure areas with emphasis on opportunities in Canada and the United States.

These objectives are under constant review and sales and purchases of specific assets may occur in the normal course of business.

The Company has established a reserve fund, invested in marketable preferred and common shares, to provide flexibility for future financial requirements of present operations. This reserve fund may, in part, also provide a source of funds for expansion and diversification. The book value of the fund amounted to \$43,200,000 with a market value of \$47,465,000 as at July 31, 1979. Management currently plans to continue increasing the fund at a moderate rate by reinvesting portfolio income and Company funds not necessary for operations.

Real Estate

Nu-West's real estate operations in Canada are conducted principally in the Calgary, Edmonton, Greater Vancouver, Regina and Saskatoon areas, and in certain areas in Ontario. In the United States,

Nu-West's real estate operations are conducted principally in the Phoenix, Seattle, Denver and Los Angeles areas.

Residential Housing

Nu-West is engaged in all aspects of residential housing construction and marketing, including acting as its own general contractor. These operations are Nu-West's largest source of revenue. Residences are marketed on both a pre-sold and speculative basis. A wide variety of house styles, which are modified to reflect changes in consumer preferences, are offered to prospective customers through Nu-West's sales departments.

Nu-West attributes the growth in its residential housing operations in part to the following:

- a strong referral business which has resulted from Nu-West's emphasis on high quality construction;
- architecturally controlled subdivisions to assist in the creation and to ensure the continuance of a pleasing residential environment;
- a continuing research program in construction materials and methods ensuring that Nu-West customers receive quality products in their homes;
- a homeowner warranty program designed to protect the investment of Nu-West's customers;
- financial services;
- a trade-in purchase plan whereby a customer can trade in his existing home on the basis of a guaranteed fixed price thereby providing the customer with protection of the equity in his trade-in home;
- a continuing flow of information on customer needs and attitudes which Nu-West endeavours to obtain through customer questionnaires and other means; and
- a customer service program on homes constructed in major centres which requires Nu-West's service personnel to make regular visits during the first year of occupancy.

The following table summarizes the number of new housing units occupied by customers of Nu-West and Mayotte Limited (Mayotte) during the five years and six months ended June 30, 1979.

	Six Months Ended June 30	Year Ended December 31				
	1979	1978	1977	1976	1975	1974
Calgary	649	1,523	1,654	1,108	990	844
Edmonton	376	1,075	1,008	786	450	388
Vancouver	70	496	243	302	157	236
Regina	136	512	758	553	461	332
Saskatoon	241	296	380	183	244	212
Phoenix	351	47	—	—	—	—
Seattle	131	261	187	—	—	—
Denver	74	146	57	—	—	—
Contract	194	611	337	297	228	191
Other						
— Nu-West	86	272	168	120	91	79
— Mayotte	114	465	260	166	88	150(2)
Total	<u>2,422(3)</u>	<u>5,704</u>	<u>5,052</u>	<u>3,515</u>	<u>2,709</u>	<u>2,432(1)</u>

(1) Includes 645 units of Cairns for the 13 months ended December 31, 1974; Cairns was acquired December 1, 1973.

(2) For the 15 months ended December 31, 1974; the interest in Mayotte was acquired effective September 30, 1973.

(3) 2,358 units were occupied during the six month period ended June 30, 1978.

As at June 30, 1979, Nu-West and Mayotte had 2,788 sold and unoccupied housing units under construction, 2,183 unsold housing units under construction and 3,234 developed building sites available for construction of additional housing units. These inventory levels are consistent with the anticipated requirements of Nu-West and Mayotte.

Industry housing starts in Canada and the United States have generally declined during 1979. Nu-West has not experienced the general industry decline as including an additional 927 offers to purchase in Phoenix, which is a new market area for Nu-West, offers to purchase new housing units received for the six months ended June 30, 1979 are 3,841 compared to 2,210 for the same period in 1978.

Cairns, a major subsidiary of the Company, is a large residential builder/developer in Saskatchewan and has concentrated most of its activities in Regina and Saskatoon. Cairns also operates in Alberta with branches in Edmonton, Red Deer and Calgary. During 1978, Cairns started new operations in Lloydminster and North Battleford, Saskatchewan. In 1979, Cairns commenced land development operations in Winnipeg, Manitoba. Cairns builds and sells houses designed for all segments of the market and has, in addition to its builder/developer activities, a prefabrication and truss manufacturing plant and a material supply yard in Regina.

Land Development

In addition to being a source of income and a hedge against inflation, the land development operations provide the Company and certain of its subsidiaries and affiliates with an adequate supply of developed building sites and facilitate architectural control of subdivisions. To achieve the foregoing, the Company and certain of its subsidiaries and affiliates maintain an inventory of raw land which is serviced and prepared for development as required. The developed building sites are either used, sold to other builders, or exchanged with other developers for rights to their developed building sites. In addition, the Company jointly develops lands with other developers thereby achieving the objective of reducing the risks and costs of carrying parcels of land while retaining partial control of and access to the building sites which will be generated on subdivision.

As at June 30, 1979, land held for development, including land controlled under agreements for sale and options and the proportionate share of joint venture land, was as follows:

<u>Location</u>	<u>Number of Parcels</u>	<u>Total Acreage</u>
Calgary	74	3,659
Edmonton	42	5,145
Vancouver area	5	258
Kamloops	3	230
Regina	19	1,655
Saskatoon	3	323
Denver area	9	1,047
Seattle, Everett and Tri-Cities areas	12	468
Southern California	3	6,105
Phoenix area	14	594
Other	25	1,849
Total Direct Holdings	<u>209</u>	<u>21,333</u>
Proportionate share of 13,783 acres held by Carma (1)		6,726
Proportionate share of 190 acres held by Mayotte (1)		95
Total (2), (3)		<u>28,154</u>

(1) Proportionate share is based on the percentage of the outstanding shares of each of Carma and Mayotte held by Nu-West.

(2) Approximate acreage of land held for development as at December 31, was: 1974 — 10,800; 1975 — 12,100; 1976 — 16,884; 1977 — 19,144; and 1978 — 26,274.

(3) See Major Acquisitions and Dispositions.

Revenue Producing Property

Particulars of the residential revenue producing properties of Nu-West as at June 30, 1979 are contained in the following table:

<u>City</u>	<u>Number of Units</u>	<u>Percentage Occupied</u>
Calgary (townhouses, apartments, houses and duplexes)	738	99.7
Thunder Bay (townhouses)	182	100.0
Denver (apartments)	284	94.7
Oklahoma City (apartments and townhouses)	798	80.5
Seattle (apartments)	174	98.0
Portland, Oregon (apartments)	51	71.0
Tsawwassen (townhouses)	84	100.0
Drumheller (apartments and houses)	50	100.0
Edmonton (mobile home sites)	627	100.0
	<u>2,988</u>	93.6

Nu-West manages all of the above revenue producing properties through its property management department which in addition manages, on a fee basis, rental units for others.

Particulars of the commercial revenue producing properties of Nu-West as at June 30, 1979 are contained in the following table:

<u>Property</u>	<u>Company's Percentage Interest</u>	<u>Year Purchased or Completed</u>	<u>Approximate Net Rentable Area (Square Feet)</u>	<u>Approximate % as at June 30, 1979</u>	
				<u>Leased</u>	<u>Occupied</u>
Nu-West Centre — Toronto (17 storey office building)	100	Purchased 1976	183,828	74.3	74.3
Marina Pacifica Village — Long Beach, U.S.A. (1) (2 storey specialty shopping centre)	85	Purchased 1976	210,440	93.9	86.9
University Village — Los Angeles, U.S.A. (shopping centre & office complex) .	100	Purchased 1976	201,877	94.7	94.3
Revelstoke Building — Calgary (office warehouse)	100	Completed 1977	54,000	100.0	100.0
Centre 33 — Calgary (multi-tenant industrial warehouse)	100	Completed 1977	73,728	100.0	100.0
White Rock Square — Greater Vancouver (retail space) ...	100	Completed 1977	16,115	85.0	85.0
Later Chemical — Greater Vancouver (office warehouse)	100	Completed 1978	37,600	100.0	100.0
Richmond Square — Calgary (shopping centre)	100	Completed 1978	85,910	87.4	87.4

Property	Company's Percentage Interest	Year Purchased or Completed	Approximate Net Rentable Area (Square Feet)	Approximate % as at June 30, 1979	
				Leased	Occupied
Cobb County Shopping Plaza — Smyrna, Georgia, U.S.A. (shopping centre) (2)	100	Purchased 1978	241,997	94.0	94.0
163rd Street Center — North Miami Beach, U.S.A. (shopping centre) (2)	100	Purchased 1978	<u>1,095,752</u>	98.0	98.0
			<u>2,201,247</u>	94.5	93.8

(1) At September 30, 1977, the Company exercised the right it had under the purchase agreement to have Ernest W. Hahn Inc., the builder of the centre, purchase a 15% interest in the centre for 15% of the Company's costs, including assumption of 15% of the related debt. At the same time Ernest W. Hahn Inc. entered into a five-year lease for 21,340 square feet at an annual rental of approximately \$195,000 (U.S.) in order to meet certain commitments to the Company. Ernest W. Hahn Inc.'s obligations under the lease will be replaced as acceptable merchant leases are entered into. The space leased by Ernest W. Hahn Inc. is not reflected in the percentage occupied numbers. As at June 30, 1979, 9,298 square feet of the area leased to Ernest W. Hahn Inc. had been leased to acceptable merchants. Marina Pacifica is on leasehold land and the lease expires in 2039.

(2) See Material Contracts.

In addition to the foregoing residential and commercial revenue producing properties, the Company's affiliates, Carma and Mayotte, own and operate commercial and residential revenue producing properties.

Commercial and Industrial Development

The Company is involved in the development and construction of ten projects comprising 448,000 square feet of commercial and 220,000 square feet of industrial properties as at June 30, 1979. It is intended to further expand the Company's capabilities in commercial and industrial development. Certain of the construction activities will be carried out through the Company's affiliates, Nu-West Structures (Calgary) Ltd. and Nu-West Structures (Edmonton) Ltd..

Appraisals

As at December 31, 1978, substantially all of Nu-West's developed construction sites, subdivisions under development, land held for development, rental properties and rental properties under construction were appraised by J. C. Leslie Appraisals Ltd., Appraisers and Real Estate Consultants, 112 Sperry Univac Centre, 1011 Glenmore Trail S.W., Calgary, Alberta. These assets were valued on the basis of market value. J. C. Leslie Appraisals Ltd. defined market value in the appraisal report as the highest price which a buyer would be warranted in paying and a seller justified in accepting, provided that both parties were fully informed, were acting intelligently and voluntarily and that all the rights and benefits inherent in or attributable to the property were included in the transfer.

The following table shows the appraised value of these assets and in addition shows Nu-West's proportionate share of assets of the same character held by Carma and Mayotte based on appraisals also made by J. C. Leslie Appraisals Ltd., all as at December 31, 1978.

	Property held by Nu-West	Share of property held by Carma and Mayotte (1)	Total
Appraised value (2)	(\$000's)	(\$000's)	(\$000's)
Developed construction sites	87,300	1,185	88,485
Subdivisions under development (3)	57,459	33,831	91,290
Land held for development	286,694	159,147	445,841
Rental properties and rental properties under construction	<u>192,683</u>	<u>22,820</u>	<u>215,503</u>
	<u>624,136</u>	<u>216,983</u>	<u>841,119</u>

	Property held by Nu-West (\$000's)	Share of property held by Carma and Mayotte (1) (\$000's)	Total (\$000's)
Excess of appraised value over book value			
Developed construction sites	30,432	305	30,737
Subdivisions under development	18,132	13,692	31,824
Land held for development	127,128	90,131	217,259
Rental properties and rental properties under construction	43,768	5,603	49,371
	<u>219,460</u>	<u>109,731</u>	<u>329,191</u>

- (1) Share of property is based on the percentage of outstanding shares of each of Carma and Mayotte held by Nu-West as at December 31, 1978.
- (2) The appraisals include no provision for selling and administrative expenses related to the completion and sale of the above assets.
- (3) These appraised values have been adjusted to reflect the estimated cost of completion.

In the six months since December 31, 1978, there have been no major disposals of rental properties. The remaining property reflected in the above table is in the nature of inventory and can increase or decrease in value as a result of sales, purchases, zoning, use reclassification or market fluctuations. For the six months ended June 30, 1979, selling prices, in the aggregate, have been at least equal to appraised value and no provision for losses is necessary on construction, changes in use, or purchases made.

In the opinion of J. C. Leslie Appraisals Ltd., the excess of appraised value over book value of property held as at December 31, 1978 and still held as at June 30, 1979 by Nu-West and Nu-West's proportionate share of property held by Carma and Mayotte as at December 31, 1978 and still held by Carma and Mayotte as at June 30, 1979, would not in the aggregate be less than the excess of appraised value over book value of such property as at December 31, 1978.

Affiliates

Carma

As at June 30, 1979, Nu-West owned approximately 48.8% of the issued and outstanding common shares of Carma, an Alberta based land development company, listed on the Alberta and Toronto stock exchanges. Carma's present board of directors consists of eleven members, two of whom are executives of Nu-West, five of whom are executives of other active builder/shareholders of Carma, three of whom are executives of Carma, and one of whom is an executive of an investment management company. Nu-West views its holdings of shares in Carma as an excellent investment which currently provides Nu-West with approximately 20% of Carma's lot production through Carma's builder/shareholder marketing contracts. As Carma develops its land holdings, Nu-West's lot entitlements under Carma's builder/shareholder marketing contracts form an important complement to Nu-West's own land holdings in the areas where it operates. See Real Estate — Land Development and Additional Information.

Carma's operations which are primarily residential and commercial land development and the development, ownership and management of revenue producing properties are conducted independently of and often in competition with those of Nu-West (except where the parties have negotiated joint venture land development agreements). Carma operates in the Calgary, Edmonton, Greater Vancouver and Southern Ontario areas in Canada and in the Denver, Houston, Los Angeles, Sacramento, San Francisco and Seattle areas in the United States.

As at June 30, 1979, Carma's assets totalled \$321,137,000. For the year ended December 30, 1978, Carma's revenue was \$104,620,000 and Carma's net income was \$21,949,000. For the six months ended June 30, 1979, Carma's revenue was \$48,893,000 and Carma's net income was \$8,812,000.

Others

The Company has investments in companies operating in related businesses namely Turner Lumber & Supplies Ltd., Entek Engineering Limited and Richmond Mechanical Ltd. In addition, the Company owns a 50% interest in Mayotte Limited, a builder/developer operating primarily in northwestern Ontario.

Oil and Gas — Voyager Petroleum Ltd.

On November 21, 1978, the Company reached agreement with the controlling shareholders of Voyager Petroleum Ltd. to acquire approximately 65% of the outstanding shares of such company. On January 12, 1979, the Company completed the purchase of such shares for \$25 cash per share, approximately \$129,000,000 in the aggregate, thereby increasing the Company's holdings to approximately 68.3%. Subsequently, the Company acquired the remaining shares of Voyager Petroleum Ltd. for approximately \$51,000,000 cash and 568,310 9% Cumulative Redeemable First Preferred Shares, Series C of the Company, having an aggregate par value of \$11,366,200. These expenditures combined with the cost of shares of Voyager Petroleum Ltd. purchased on the open market, prior to November 21, 1978, fees, commissions and legal costs resulted in an aggregate cost of approximately \$196,000,000.

Voyager Petroleum Ltd. is a company incorporated in the Province of Alberta with the following wholly owned subsidiaries: Voyager Petroleum Inc., a Colorado corporation, Voyager Petroleum (U.K.) Limited, a United Kingdom corporation, Voyager Petroleum Australia Ltd., an Alberta corporation registered in the state of Queensland, Australia and Sabra Petroleum Ltd., a Bermuda corporation. **In this prospectus Voyager shall, unless the context otherwise indicates, include Voyager Petroleum Ltd. and its subsidiaries.**

Voyager conducts geological and geophysical exploration and the drilling of exploration, exploitation and development wells for oil and gas for their own account and in association with others. The exploration and production activities have been largely centered in western Canada with particular emphasis in Alberta, where the major part of its production revenue is obtained. Voyager is also represented in the frontier areas of northern Canada, offshore the east-coast of Canada, the United States, the United Kingdom and Australia.

Land Holdings

The following table sets forth the working interests of Voyager in oil and gas rights as at June 30, 1979 expressed in gross and net acres:

	Gross Acres	Net Acres
NORTHERN CANADA		
Arctic Islands — Offshore	75,240	3,762
Beaufort Sea — Offshore	865,666	367,579
Northwest Territories	9,432	1,078
EASTERN CANADA		
Grand Banks/Flemish Cap — Offshore	563,565	509,464
WESTERN CANADA		
Alberta	1,319,786	716,896
British Columbia	178,996	68,123
Saskatchewan	217,541	217,012
Manitoba	153,502	145,300
UNITED STATES OF AMERICA		
Colorado	82,381	80,341
Kansas	267,005	260,974
Montana	2,880	840
Texas	17	17
Wyoming	4,908	2,341

	<u>Gross Acres</u>	<u>Net Acres</u>
UNITED KINGDOM		
Southern England — Onshore	335,552	134,221
AUSTRALIA		
Northwest Continental Shelf — Offshore	9,573,445	1,436,017
Queensland — Onshore	228,100	228,100
Total	<u>13,878,016</u>	<u>4,172,065</u>

NOTES:

- (1) Gross acres means the total number of acres in which Voyager has a working interest.
- (2) Net acres means the aggregate of the gross acres in each tract multiplied by Voyager's percentage working interest therein.
- (3) Working interest acreage does not reflect lands held by others in which Voyager is earning an interest nor the prospective interests of others in Voyager lands, not earned on the date shown above. The figures are adjusted in each case when the interest is actually earned. Similarly, the figures do not reflect royalty interests convertible to working interests until such conversion takes place.
- (4) Lands held in the Canadian Arctic and offshore the east-coast of Canada are held under permits from the Federal Government. The permits confer upon the holder the right to lease oil and gas rights under a specified percentage of the permit area. To continue the permits in effect, the holder is obligated to pay rentals and make deposits or carry out work obligations. In all cases but one (Permit No. W3027), Voyager has entered into agreements with third parties whereby the third parties may earn a substantial interest in the permits by assuming Voyager's obligations thereunder. Permit No. W3027 covers lands in the Beaufort Sea area and is maintained by Voyager in association with others.
- (5) While the greater part of Voyager's holdings in the western provinces are held under provincial crown and freehold leases, approximately 243,152 gross acres (113,304 net acres) in Alberta and British Columbia are held under permit or reservation from these provinces usually acquired through competitive bidding. Voyager is obligated to pay rentals and make deposits or carry out certain work obligations to maintain the permits and reservations and to earn the right to lease oil and/or gas rights with respect to a specified percentage of the permit or reservation lands.
- (6) Petroleum and natural gas leases obtained from the provincial governments presently require varying rental payments (generally \$1.00 per acre per year) and varying royalties on production.

In addition to the working interest holdings referred to above, Voyager holds royalty interests in 119,265 acres in Alberta, British Columbia and the Yukon Territory and net profits and royalty interests in 1,105,708 acres in the Arctic and royalty interests in 36,200 acres in the United States. In a number of cases, mainly in east-central Alberta, royalty interests are subject to conversion, at Voyager's option, to working interests following payout of drilling costs and in some instances development costs.

Sales and Production Facilities

As at June 30, 1979, Voyager held an interest in 562 gross (335 net) wells which are either producing or, in the case of non-unitized wells, capable of production. During the six month period ending June 30, 1979, Voyager had total sales of approximately 9.2 Bcf of natural gas and 10,000 barrels of oil and natural gas liquids. The average price received in the first half of 1979 for natural gas was \$1.58 per Mcf and for oil and natural gas liquids \$12.04 per barrel in Canada and \$14.75 (U.S.) per barrel in the United States. Voyager holds varying interests in seven natural gas plants in east-central Alberta.

Natural Gas Marketing

Virtually all of Voyager's producing properties and development lands are in east-central Alberta. These lands are covered by a "take or pay" gas sales contract with TransCanada PipeLines Limited (the Buyer), which requires the Buyer to pay for, at the prevailing price, contracted quantities of gas in a contract year, whether or not such quantities are taken. If part or all of the contracted quantities of gas are paid for and not taken, the Buyer may take delivery of such gas in later contract years. Under this contract the Buyer is committed, within a total area of approximately 4.4 million acres in east-central Alberta (the Committed Acreage Area), to purchase gas as produced from Voyager's established

reserves, at an average daily rate based upon a reserve life of twenty to twenty-two years. At June 30, 1979, Voyager held 634,582 gross acres and 410,388 net acres within the Committed Acreage Area. Through the planned development of its existing properties and the acquisition of interests held by others, Voyager has continuously increased its reserves and production capacity in the Committed Acreage Area. The recognition of these additional reserves under the contract enables Voyager to proceed expeditiously to tie-in and produce those capped gas wells which are within economic reach of market facilities. The Buyer is obligated under the provisions of the contract to re-determine reserves and accept additional sales volumes of gas, if applicable, at least once every two years.

As a result of the Buyer having contracted volumes in excess of market requirements, Voyager, along with other producers, agreed with the Buyer to reduce the Buyer's "takes" of gas, without reducing the obligation to pay, by up to 20% of the minimum yearly contract quantities for the contract years ending October 31, 1978 and October 31, 1979, and to extending the period in which the Buyer could recover gas paid for but not taken, in the case of Voyager, from five to six years. Discussions are under way between the Buyer and the producers, including Voyager, regarding the terms and nature of the Buyer's proposed one year extension of its purchase allocation program.

When the Buyer takes delivery of gas paid for but not taken, the gas purchase price then in effect will apply to the gas so delivered and an adjustment will be made at that time in the event of a difference between the gas price at time of delivery and the gas price at time of previous payment. At the time of delivery of the gas paid for but not taken, the royalties, operating costs and other applicable expenses must be paid by Voyager. During the contract year ended October 31, 1978, the reduction of deliveries below the minimum contract obligation for Voyager was 14% resulting in a total payment for gas paid for but not taken of \$4,500,000. It is expected the reduction of deliveries for the contract year to end October 31, 1979 will amount to approximately 12%.

Reserves

The proven gross and royalty reserves of Voyager in Alberta and Saskatchewan as at January 1, 1979 are summarized in a report dated January 4, 1979 by DeGolyer and MacNaughton, One Energy Square, Dallas, Texas, 75206, as follows:

<u>Area</u>	<u>Natural Gas (Mcf)</u>	<u>Crude Oil, Condensate & Natural Gas Liquids (Bbls)</u>
Alberta	451,064,259	354,758
Saskatchewan	—	94,000
	<u>451,064,259</u>	<u>448,758</u>

DeGolyer and MacNaughton classifies proven reserves as reserves which have been proven to a high degree of certainty by reason of actual completion or successful testing. These reserves are defined areally by reasonable geological interpretation of structure and known continuity of oil or gas-saturated reservoir material. This category also includes secondary recovery reserves in reservoirs where such methods are already in normal operation or have been proven economic by pilot operations from present wells.

Voyager's engineers estimate net proven working interest and royalty reserves in the State of Kansas at December 31, 1978 as 920,634 Mcf of natural gas and 71,625 barrels of crude oil, condensate and natural gas liquids.

Exploration Activity

Voyager's exploration and development budget for 1979 is approximately \$25 million. During the first six months of 1979, Voyager's capital expenditures for exploration and development of oil and gas reserves net of provincial government exploration and drilling incentives were \$6,535,000.

Voyager anticipates that it will participate in approximately 225 wells in 1979. The major exploration activities in Canada for 1979 include: a significant farmout in east-central Alberta under which Voyager estimates that 150 wells will be drilled at little or no cost to Voyager; an estimated 32 wells to be drilled in the Committed Acreage Area under various farmin programs; the drilling of a farmout well in the offshore Flemish Cap area, approximately 240 miles off St. John's, Newfoundland by Esso Resources Canada Ltd. on lands in which Voyager will retain a 10% interest; and, the purchase of exploratory acreage in Alberta, Saskatchewan and Manitoba. Exploration activities in the United States in 1979 include drilling in Kansas, Montana and Wyoming and the shooting and purchase of seismic programs in Kansas, North Dakota and Wyoming.

In addition, Voyager is participating in seismic programs on exploration licences in southern England, Guyana, and on the northwest continental shelf of Australia. Voyager also intends to drill a well onshore in 1979, on a 100% held exploration permit in the Queensland, Australia area.

To June 30, 1979, Voyager participated in a total of 81 wells of which 38 were completed for gas production and 43 were dry holes. Since June 30, two wells were drilled in Montana, both of which encountered hydrocarbon shows.

MAJOR ACQUISITIONS AND DISPOSITIONS

Particulars of major acquisitions and dispositions of Nu-West within the previous two years are as follows:

1. By an agreement dated July 26, 1979, the Company purchased the interest of Carma Developers Ltd. in approximately 513 acres of land located in St. Albert, Alberta for \$13,000,000. On August 14, 1979, the Company agreed on a formula to determine the sale price to another major real estate company for an undivided half interest in the said 513 acres and is negotiating the terms of a joint venture of such lands. The effect of the transaction, if completed, will be the recording of net income of approximately \$ ● comprised of the Company's share of Carma's income and the profit on the subsequent sale.

2. The Company, through an agent for a third party, committed itself to keep open until September 7, 1979, an offer by the Company to sell certain lands for cash and to enter into a land management agreement of such land with the third party, on September 25, 1979. If the offer is accepted, the agreement arising will be material and the characteristics thereof will be summarized in the final prospectus.

3. NWA has entered into an agreement with Shappell Industries of San Diego to sell NWA's 305 acre parcel of land in San Diego, California for a total consideration of \$14,500,000 (U.S). The effect of this transaction will be the recording of net income of approximately \$5,500,000 in Nu-West's third quarter financial statements.

4. As a result of agreements dated November 21, 1978 and subsequent, the Company acquired all of the shares of Voyager Petroleum Ltd. by transactions that closed on January 12, 1979 and June 6, 1979 for a total consideration, including various acquisition costs, of approximately \$196,000,000. The result of the transaction is that Nu-West now has approximately 21% of it's consolidated assets in the oil and gas industry. For the period ended June 30, 1979, Voyager's earnings before tax amounted to \$8,331,000. The write-off of excess of purchase price and interest cost by the Company resulted in an interim reduction of Nu-West's earnings for the same period. During that period, Voyager's cash flow from operations amounted to \$9,870,000 and depletion taken by the Company on the excess of purchase price resulted in an additional cash flow of \$2,758,000.

5. Agreement was reached with the Oxford Development Group Ltd. (Oxford) that better results would be achieved in the Eau Claire Estates Ltd. (Eau Claire) project if either party owned a larger interest in the project. As a result, a buy/sell agreement dated April 27, 1979 was entered into by Oxford and the Company. Pursuant to the buy/sell agreement, the Company offered to purchase Oxford's interest in Eau Claire for a fixed price on May 4, 1979. Under the terms of the buy/sell agreement, Oxford had the option of purchasing Nu-West's interest at the offer price and exercised that option on May 8, 1979. This transaction resulted in a non-recurring net income item of \$3,897,000 for the six months ended June 30, 1979.

6. By an agreement dated August 14, 1978, the Company acquired the 163rd Street Center in North Miami Beach, Florida and the Cobb County Shopping Plaza in Smyrna, Georgia for a total cost of approximately \$32,555,000 (U.S.).

7. Effective April 30, 1978, Hallcraft Homes Inc. (Hallcraft) of Phoenix, Arizona was merged into NWA, a wholly owned subsidiary of NWC, on the basis of one third of a share of NWA's common stock in exchange for one share of Hallcraft. This merger resulted in NWC owning 80% of NWA. The cost of this transaction was approximately \$15,000,000 (U.S.), the majority of which related to the purchase of debt of Hallcraft which remains payable to Nu-West. During the first half of 1979, NWA incorporated a subsidiary V.H. Development II, Inc., which on May 25, 1979, acquired all of the shares of V.H. Development Inc. (VHD) for a maximum consideration of \$6,900,000 (U.S.) of which \$2,500,000 (U.S.) has been paid. These two transactions resulted in Nu-West acquiring through these companies some \$81,750,000 (U.S.) of land, subdivisions under development, developed construction sites and work in progress in the Phoenix and Southern California areas. During 1978, NWA had a loss of \$2,604,000 (U.S.). However, for the six months ended June 30, 1979, NWA had pre-tax income of \$1,661,000 (U.S.) and net income of \$328,000 (U.S.). The financial reorganization of Hallcraft as NWA, and the subsequent acquisition of VHD has enabled Nu-West to re-establish the viability of the original builder/developer operation of Hallcraft which had been a major builder/developer of homes in the southwest United States for several years prior to the decline in the United States real estate industry in 1973.

MANAGEMENT DISCUSSION

Operating Results

Nu-West's consolidated statements of net income for each of the last three years and the six months ended June 30, 1979 and 1978 are as follows:

	Six Months Ended June 30, (unaudited)		Year Ended December 31		
	1979	1978	1978	1977	1976
Real estate revenue	(\$000's)		(\$000's)		
Housing	136,421	102,008	268,526	233,674	180,947
Commercial	5,498	365	8,695	1,300	—
Land	50,387	36,934	100,760	66,985	21,973
Rental	9,529	5,399	13,059	6,257	3,961
Natural gas and oil revenue net of royalties and mineral tax	11,576	—	—	—	—
Other	8,172	6,451	16,630	10,943	8,840
	<u>221,583</u>	<u>151,157</u>	<u>407,670</u>	<u>319,159</u>	<u>215,721</u>
Cost of sales and operating expenses ...	185,378	131,575	350,262	272,462	182,331
Interest	26,982	11,401	26,330	18,762	10,800
Depreciation	1,599	973	1,984	1,651	1,095
Depletion	3,928	—	—	—	—
Amortization	272	232	539	416	277
	<u>218,159</u>	<u>144,181</u>	<u>379,115</u>	<u>293,291</u>	<u>194,503</u>
Net income from operations	3,424	6,976	28,555	25,868	21,218
Income taxes	1,448	3,736	13,475	13,435	10,131
Net income before the undernoted	1,976	3,240	15,080	12,433	11,087
Dividends from marketable securities ..	1,389	731	1,847	805	—
Equity in net income, after income taxes, of Carma Developers Ltd. and other affiliates	4,388	1,708	9,885	6,165	5,168
Minority interest	(1,812)	161	312	—	—
Gain on sale of shares of Eau Claire Estates Ltd.	3,897	—	—	—	—
Net income	<u>9,838</u>	<u>5,840</u>	<u>27,124</u>	<u>19,403</u>	<u>16,255</u>

Revenue: Total revenue increased by some \$192,000,000 or 89% from 1976 through to 1978. During that period land revenue as a percentage of total revenue increased from 10% to 25% and rental revenue as a percentage of total revenue increased from 1.8% to 3.2%. In the first six months of 1979, total revenue increased by some \$70,000,000 or 46% over the first six months of 1978 and for the first time, the number included natural gas and oil revenue which was \$11,576,000. The foregoing indicates that Nu-West's revenue is growing, becoming more diversified and accordingly is less subject to variations in market conditions that can occur in the home building industry.

Net income from operations after income taxes: Net income from operations after income taxes as a percentage of total revenue has decreased from 5.1% in 1976 to 3.7% in 1978 as a result of increased interest costs, the increased competitiveness in our major housing markets and the effect of start up costs for operations in new market areas. Despite the decrease in net income from operations after income taxes as a percentage of total revenue, net income from operations after income taxes has grown by some \$3,993,000 or 36% over the 1976 to 1978 period as a result of increased revenue.

Net income: Over the three year period 1976 through 1978, net income grew by some \$10,800,000 or 66%. Net income as a percentage of total revenue was 7.5%, 6.1% and 6.7% in each of 1976, 1977 and 1978 respectively.

Asset Mix

The changes in the geographical distribution of Nu-West's total assets are as follows:

	As at June 30	As at December 31			
	<u>1979</u>	<u>1978</u>	<u>1977</u>	<u>1976</u>	<u>1975</u>
	(\$000's)				
Canada	768,217	506,834	395,798	329,822	187,143
United States	287,905	225,678	87,000	35,500	—
Other foreign	899	—	—	—	—
	<u>1,057,021</u>	<u>732,512</u>	<u>482,798</u>	<u>365,322</u>	<u>187,143</u>

The table indicates that Nu-West's investment in U.S. assets increased from no United States assets in 1975 to 9.7% in 1976, 18.0% in 1977 and 30.8% in 1978. In the first half of 1979, the percentage decreased to 27.2% as most of Voyager's assets were Canadian.

The changes in the composition of Nu-West's assets are as follows:

	As at		As at December 31							
	June 30, 1979		1978		1977		1976		1975	
	(\$000's)	%	(\$000's)	%	(\$000's)	%	(\$000's)	%	(\$000's)	%
Housing, lots and subdivision inventories	276,162	26.12	228,370	31.18	155,838	32.28	154,345	42.25	89,902	48.04
Land for future development ...	204,313	19.33	159,586	21.79	105,886	21.93	83,553	22.87	48,111	25.71
Rental properties	146,261	13.84	148,915	20.33	91,817	19.02	58,170	15.93	14,218	7.60
Gas and oil properties and equipment	225,956	21.38	—	—	—	—	—	—	—	—
Marketable securities	38,321	3.62	34,538	4.71	19,459	4.03	2,204	0.60	—	—
Investments	66,785	6.32	69,162	9.44	42,099	8.72	29,633	8.11	18,204	9.72
Other	99,223	9.39	91,941	12.55	67,699	14.02	37,417	10.24	16,708	8.93
	<u>1,057,021</u>	<u>100.00</u>	<u>732,512</u>	<u>100.00</u>	<u>482,798</u>	<u>100.00</u>	<u>365,322</u>	<u>100.00</u>	<u>187,143</u>	<u>100.00</u>

The above table indicates that Nu-West has successfully altered its asset mix from having 74% of its assets in housing and land at December 31, 1975 to having 45% of its assets in housing and land, 21% of its assets in gas and oil properties and equipment and 14% of its assets in rental properties as at June 30, 1979.

CONSOLIDATED CAPITALIZATION

Designation of Securities	Authorized	Outstanding as at June 30, 1979	Outstanding as at July 31, 1979	Outstanding as at July 31, 1979 After Giving Effect To This Financing
		(\$000's)	(\$000's)	(\$000's)
Debt of Company				
Secured bank loans (1) (5) (6)		63,770	61,094	●
Term bank loan (5)		130,666	148,000	148,000
Payables and accruals — agreements for sale on the purchase of developed construction sites and other secured payables (5)		32,643	32,737	32,737
Mortgage advances on houses and projects under construction and completed houses (4) (5)		45,415	49,303	49,303
Non-interest bearing agreements for sale payable on land held for development (2) (5)		2,325	4,645	4,645
Agreements for sale, mortgages payable and other secured payables (2) (5) (6)		180,719	190,601	190,601
11.5% Sinking Fund Debentures, Series A, due 1995		13,600	13,600	13,600
11.5% Sinking Fund Debentures, Series B, due 1996		16,450	16,450	16,450
11.5% Sinking Fund Debentures, Series C, due 1996		19,000	19,000	19,000
11¼% Sinking Fund Debentures, Series D, due 1997		19,200	19,200	19,200
11¼% Sinking Fund Debentures, Series E, due 1998		20,000	20,000	20,000
11½% Sinking Fund Debentures, Series F due 1999		30,000	30,000	30,000

CONSOLIDATED CAPITALIZATION (CONTINUED)

<u>Designation of Securities</u>	<u>Authorized</u>	<u>Outstanding as at June 30, 1979</u>	<u>Outstanding as at July 31, 1979</u>	<u>Outstanding as at July 31, 1979 After Giving Effect To This Financing</u>
Debt of Subsidiaries				
Secured bank loans (1) (5) (6)		25,268	25,462	25,462
Crude oil and natural gas production loan (9)		7,750	7,700	7,700
Payables and accruals — agreements for sale on the purchase of developed construction sites and other secured payables (5) (6)		21,463	23,662	23,662
Mortgage advances on houses and projects under construction and completed houses (4) (5) (6) .		63,366	63,295	63,295
Non-interest bearing agreements for sale payable on land held for development (2) (5) (6)		835	835	835
Agreements for sale, mortgages payable and other secured payables (2) (5) (6)		81,041	95,590	95,590
Sundry Indebtedness (6)		3,164	3,164	3,164
Minority Interest (8)		376	308	308
Share Capital (3)				
Cumulative Redeemable First Preferred Shares, \$20 par value, issuable in series	5,000,000			
8 3/4% Cumulative Redeemable First Preferred Shares, Series A		9,688 (484,400 shares)	9,590 (479,500 shares)	9,590 (479,500 shares)
8.85% Cumulative Redeemable First Preferred Shares, Series B		14,804 (740,200 shares)	14,696 (734,800 shares)	14,696 (734,800 shares)
9% Cumulative Redeemable First Preferred Shares, Series C		17,702 (885,115 shares)	11,139 (556,935 shares)	11,139 (556,935 shares)
Class "A" Convertible shares without nominal or par value (this issue)	30,000,000	(10) 6,691(7)	6,691	●
Class "B" Convertible shares without nominal or par value	30,000,000		(9,092,232)(10)	●
			Class "A" and 9,128,706(10) Class "B" shares)	Class "A" and 9,114,888(10) Class "B" shares)

- (1) Reference is made to Note 13 to the consolidated financial statements for details of the security given for secured bank loans.
- (2) Reference is made to Note 8 to the consolidated financial statements.
- (3) Reference is made to Note 9 to the consolidated financial statements.
- (4) These amounts were received with respect to first mortgages on the properties and will be assumed by the purchasers in the normal course of business as the properties are sold.
- (5) The security given for secured bank loans and mortgages and other secured payables ranks prior to the security for the Series A Debentures, Series B Debentures, Series C Debentures, Series D Debentures, Series E Debentures and the Series F Debentures.
- (6) The U.S. portion of these amounts has been converted to Canadian dollars in accordance with Note 1(G) to the consolidated financial statements.
- (7) In addition to the stated dollar value for capital stock, the Company had as at June 30, 1979, \$81,828,000 of retained earnings.
- (8) The minority interest represents the relative ownership of other parties in the shareholders' equity of NWA.
- (9) The production loan is the loan of Voyager Petroleum Ltd., and is secured by a charge upon its interest in certain petroleum and natural gas properties.
- (10) Reflects proposed two for one share split to be voted on by common shareholders at shareholders meeting called for September 7, 1979.

PLAN OF DISTRIBUTION

Under an agreement (the Underwriting Agreement) dated ●, 1979 between the Company, Greenshields Incorporated and Richardson Securities of Canada (the Underwriters), the Company has agreed to sell and the Underwriters have agreed to purchase the ● Class "A" Convertible shares offered by this prospectus, on ●, 1979 but in any event not later than ●, 1979 at a price of \$● per share, payable in cash to the Company against delivery of the Class "A" Convertible shares. The Underwriting Agreement provides that the Company will pay the Underwriters a commission of \$● per share and a financial advisory fee of \$50,000. The obligations of the Underwriters under the Underwriting Agreement may be terminated at their discretion on the basis of their assessment of the state of the financial markets and may also be terminated upon the occurrence of certain stated events. The Underwriters are, however, obligated under the Underwriting Agreement to take up and pay for all of the Class "A" Convertible shares if any are purchased.

In connection with the offering, the Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Class "A" Convertible shares at a level other than that which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

USE OF PROCEEDS

The estimated net proceeds to be derived from the sale of the Class "A" Convertible shares offered by this prospectus, after deduction of a financial advisory fee of \$50,000 and other expenses of the issue estimated at \$125,000, will be \$ ●. This amount will be used to repay existing bank indebtedness. Such bank indebtedness was incurred in the ordinary course of the business of Nu-West and for the acquisition of shares of Voyager Petroleum Ltd.

ELIGIBILITY FOR INVESTMENT

In the opinion of counsel, the Class "A" Convertible shares will be investments:

- (a) in which the Canadian and British Insurance Companies Act (Canada) states that a company registered under Part III thereof may invest its funds without resorting to the provisions of sub-section 63(4) of such Act;
- (b) which may be vested in trust for the purpose of the Foreign Insurance Companies Act (Canada) by a company registered thereunder without resorting to the provisions of section 4 of Schedule 1 of such Act;
- (c) in which the Trust Companies Act (Canada) states that a company to which such Act applies may invest its own funds without resorting to the provisions of sub-section 68(6) of such Act;
- (d) in which the funds of a pension plan registered under the Pension Benefits Standards Act (Canada) may be invested without resorting to the provisions of section 4 of Schedule C to the regulations under such Act;
- (e) in which loan companies whose investment powers are governed by the Loan Companies Act (Canada) may invest their funds without resorting to the provisions of sub-section 60(5) of such Act;
- (f) in which insurers whose investment powers are governed by The Alberta Insurance Act may invest their funds without resorting to the provisions of sub-section 94(5) of such Act;
- (g) in which a pension fund, the investment powers of which are governed by the Regulations adopted pursuant to The Pensions Benefits Act (Alberta), may invest its assets without resorting to the provisions of sub-section 14(4) of such Regulations;
- (h) in which loan corporations and trust companies, whose investment powers are governed by The Loan and Trust Corporations Act (Ontario), may invest their funds without resorting to the provisions of sections 151 and 154 respectively of such Act;

*sums of said stock
and not completed.*

- (i) in which a pension fund, the investment powers of which are governed by Regulations adopted pursuant to The Pension Benefits Act (Ontario), may invest its assets without resorting to the provisions of sub-section 14(4) of such Regulations;
- (j) in which The Insurance Act (Ontario) states that an insurer, as defined in section 382 of such Act, may invest its funds without resorting to the provisions of sub-section 383(4) of such Act; and
- (k) in which the Regulations adopted pursuant to the Supplemental Pension Plans Act (Quebec) state that a supplemental plan registered thereunder may invest its assets without resorting to the provisions of section 6.17 of such Regulations.

DESCRIPTION OF CAPITAL STOCK

The authorized common share capital of the Company, after giving effect to the proposed two for one share split being considered September 7, 1979, consists of 30,000,000 Class "A" Convertible shares of which as at July 31, 1979, 9,106,050 shares were issued and 30,000,000 Class "B" Convertible shares of which as at July 31, 1979, 9,114,888 shares were issued. The Company is also authorized to issue 5,000,000 First Preferred Shares of a par value of \$20 each issuable in series (First Preferred Shares) of which as at July 31, 1979, 479,500 8 $\frac{3}{4}$ % First Preferred Shares, Series A, 734,800 8.85% First Preferred Shares, Series B and 556,935 9% First Preferred Shares, Series C were outstanding.

Common Shares

Class "A" and Class "B" Convertible shares are interconvertible at any time on a share-for-share basis by giving written notice and delivering shares to the transfer agent. The holders of Class "A" and Class "B" Convertible shares are entitled to one vote for each share held and, subject to the rights of holders of First Preferred Shares, are entitled to receive such dividends as may be declared by the directors out of funds legally available therefore and to receive the remaining property of the Company on dissolution. The Class "A" and Class "B" Convertible shares rank equally and dividends must be declared in equal or equivalent amounts, however, the directors may provide for the payment of dividends on Class "B" Convertible shares by way of shares of the Company provided an equivalent cash dividend is paid on the Class "A" Convertible shares. The holders of Class "A" and Class "B" Convertible shares have no preemptive or redemptive rights. Reference is made to the restrictions on dividends on the common shares contained in the provisions of the First Preferred Shares. Additional provisions restricting dividends on all classes of shares and the purchase or redemption of capital stock are contained in the trust indenture, as supplemented and amended, under which the sinking fund debentures of the Company have been issued. These provisions provide that the Company shall not declare or make a distribution if (i) the Company is then in default under the trust indenture, as supplemented and amended, or if (ii) after such distribution the amount of consolidated shareholders' equity would be less than a specified amount. At present the most restrictive provision provides that the Company shall not make a distribution, if after such distribution, consolidated shareholders' equity would be less than \$100,000,000. Consolidated shareholders' equity as at June 30, 1979 amounted to \$130,713,000.

First Preferred Shares

The First Preferred Shares rank ahead of the Class "A" and Class "B" Convertible shares with respect to the payment of dividends and return of capital. The outstanding Series A, Series B and Series C First Preferred Shares contain provisions which restrict the ability of the Company to make a payment or distribution to its shareholders by way of dividend, other than a stock dividend, or otherwise when dividends on any such First Preferred Shares are in arrears, and provide that the Company shall not make any such payment or distribution if at the date of authorization thereof, such payment or distribution would reduce Consolidated Net Tangible Assets to an amount less than 2 $\frac{1}{2}$ times the paid in capital of such First Preferred Shares and all other outstanding shares ranking in

priority to or on a parity with such shares, and of outstanding preferred shares of a subsidiary not held by the Company or another subsidiary. For purposes of such limitation, Consolidated Net Tangible Assets means the shareholders' equity of the Company and its subsidiaries, less intangible assets determined on a consolidated basis in accordance with generally accepted accounting principles. First Preferred Shares are non voting unless four half yearly or eight quarterly dividends are in arrears on any series, in which case the holders of First Preferred Shares have the right, voting as a class, to elect two directors of the Company and have one vote per share on all other matters.

Copies of the full particulars of the rights attaching to the Class "A" and Class "B" Convertible shares and the First Preferred Shares may be examined at the head office of the Company in Calgary, Alberta during normal business hours while the shares offered hereby are in the course of primary distribution and for 30 days thereafter.

PRICE RANGE AND TRADING VOLUME OF COMMON SHARES

The Class "A" Convertible shares are listed on the Alberta and Toronto stock exchanges. The following table sets forth the market price range and trading volume of the Class "A" Convertible shares on The Toronto Stock Exchange for the periods indicated.

	High (1) \$	Low (1) \$	Volume (1) (Shares)
1974	1.22	0.67	4,152,000
1975	1.93	0.76	4,544,200
1976	2.72	1.78	4,531,000
1977 January to June	3.17	2.39	1,648,800
July to September	3.72	3.06	902,200
October to December	4.06	2.61	937,000
1978 January to March	5.00	3.75	731,400
April to June	5.50	4.75	1,114,000
July to September	6.84	4.79	780,600
October to December	7.25	5.59	1,902,200
1979 January to March	8.88	6.32	750,000
April	8.25	7.75	236,200
May	9.69	8.00	704,600
June	11.75	9.32	316,200
July	12.63	10.82	201,200
August 1 to August 29	15.00	12.00	188,868

(1) The trading values reflect the three for two share splits of April 30, 1974, July 9, 1976, November 24, 1977, December 11, 1978 and a proposed two for one share split to be voted on at a meeting of shareholders to be held on September 7, 1979.

The closing sale price of the Company's Class "A" Convertible shares on The Toronto Stock Exchange on ● , 1979 was \$ ● .

PRIOR SALES

Particulars of sales of treasury shares within the past 12 months are as follows:

1. By agreements effective January 1, 1979, the Company agreed to issue to each of Messrs. Kenneth C. Comyns and M. Rodney Gerla 60,000 shares to be issued as Class "A" and/or Class "B" Convertible shares at a price of \$11 per share (after giving effect to the proposed two for one share split). See Interest of Management and Others in Material Transactions; and
2. A total of 315,586 Class "B" Convertible shares (after giving effect to the proposed two for one share split) were issued as stock dividends to the holders of Class "B" Convertible shares.

DIVIDEND RECORD

The Company has paid the following dividends (1):

Year	Dividends Paid Per				
	Class "A" Convertible Share (2) (3)	Class "B" Convertible Share (2) (3)	8¼% Cumulative Redeemable First Preferred Share, Series A	8.85% Cumulative Redeemable First Preferred Share, Series B	9% Cumulative Redeemable First Preferred Share, Series C
1974					
May 31	\$0.0150	\$0.0125	—	—	—
November 29	\$0.0225	\$0.0190	—	—	—
1975					
May 31	\$0.0225	\$0.0190	—	—	—
November 28	\$0.0445	\$0.0375	—	—	—
1976					
May 31	\$0.0490	\$0.0415	—	—	—
November 30	\$0.0490	\$0.0415	—	—	—
December 29	\$0.0175	\$0.0150	—	—	—
1977					
May 31	\$0.0665	\$0.0565	—	—	—
November 30	\$0.0665	\$0.0565	—	—	—
1978					
March 31	—	—	\$0.5142 (4)	—	—
May 31	\$0.1000	\$0.0850	—	—	—
June 30	—	—	\$0.4375	—	—
September 30	—	—	\$0.4375	\$0.3830 (4)	—
November 30	\$0.1000	\$0.1000	—	—	—
December 31	—	—	\$0.4375	\$0.4425	—
1979					
March 31	—	—	\$0.4375	\$0.4425	—
May 31	\$0.1250	\$0.1250	—	—	—
June 30	—	—	\$0.4375	\$0.4425	—

(1) Reference is made to Note 12 of the financial statements.

(2) Restated to reflect the three for two share splits on April 30, 1974, July 9, 1976, November 24, 1977 and December 11, 1978 and a proposed two for one split to be voted on at a meeting of shareholders on September 7, 1979.

(3) For the period 1974 to May 31, 1978, inclusive, dividends on Class "A" Convertible shares were ordinary dividends and dividends on Class "B" Convertible shares were paid out of Retained Earnings classified as 1971 Undistributed Income. At May 31, 1978, Class "B" Convertible shareholders had the option to elect to take a stock dividend of \$0.10 (after giving effect to the three for two share split of December 11, 1978 and the proposed two for one split as mentioned in note 2 above) in lieu of the cash dividend. From November 30, 1978 forward, dividends on Class "A" Convertible shares have been cash dividends and dividends on Class "B" Convertible shares have been stock dividends.

(4) Dividend from date of issue.

The board of directors of the Company has indicated its intention to increase the annual dividend rate on its Class "A" Convertible shares to \$0.30 per share annually after the proposed two for one share split.

PRINCIPAL HOLDERS OF SHARES

As at July 31, 1979, the following each owned, directly or indirectly, of record and beneficially, more than 10% of the issued Class "A" Convertible and Class "B" Convertible shares of the Company.

Name and Address	Number of Shares Owned (2)		Type of Ownership		Percentage of Outstanding Shares			
	Class "A" Conv.	Class "B" Conv.	Class "A" Conv.	Class "B" Conv.	Class "A" Conv.	Class "B" Conv.	Total	
Ralph Thomas Scurfield (1) 1640 Cayuga Drive N.W. Calgary, Alberta	— 560,874	3,289,504 618,756	— Indirect	Direct Indirect	}	6.16	42.88	24.53
Chesley James McConnell (1) 20 Tweedsmuir Crescent Edmonton, Alberta	1,600,000	2,450,226	Direct	Direct		17.57	26.88	22.23

(1) In addition, members of the immediate family of Ralph Thomas Scurfield own 159,102 Class "A" Convertible and 707,406 Class "B" Convertible shares and members of the immediate family of Chesley James McConnell, own 1,010 Class "A" Convertible and 117,288 Class "B" Convertible shares, after giving effect to the proposed share split referred to in note 2.

(2) After the two for one proposed share split to be voted upon on September 7, 1979.

As at July 31, 1979, the directors and senior officers of the Company, as a group, owned directly or indirectly, of record and beneficially 2,433,500 Class "A" Convertible shares and 6,999,292 Class "B" Convertible shares of the Company representing 26.72% and 76.79% respectively of the issued shares of each class and representing 51.77% of the total outstanding Class "A" and Class "B" Convertible shares, all after giving effect to the proposed two for one share split to be voted upon on September 7, 1979.

MANAGEMENT

Directors and Officers

The names in full and home addresses of the directors and officers of the Company, the offices held by them in the Company, and their principal occupations within the five preceding years are as follows:

<u>Name and Address</u>	<u>Office</u>	<u>Principal Occupation</u>
Ralph Thomas Scurfield 1640 Cayuga Drive N.W. Calgary, Alberta	President & Director	President of the Company
Chesley James McConnell 20 Tweedsmuir Crescent Edmonton, Alberta	Director	President of McConnell Homes Ltd.
Dorcie James Cairns 71 - 1815 Varsity Estates Drive, N.W. Calgary, Alberta	Director	Chairman of the Board of Cairns Homes Limited; formerly President thereof
Sydney Kahanoff 5711 Elbow Drive S.W. Calgary, Alberta	Director	Chairman of the Board of Voyager Petroleums Ltd., formerly President thereof
John Custer Hall 11017 North 47th Drive Glendale, Arizona	Director	Chairman of the Board of Nu-West Development Corporation of Arizona; Consultant to Nu-West Development Corporation of Arizona; formerly Chairman of the Board of Hallcraft Homes, Inc.

<u>Name and Address</u>	<u>Office</u>	<u>Principal Occupation</u>
Richard Caffyn Baxter 2658 Bellevue Avenue West Vancouver, B.C.	Director	President of Baxter Estates Limited
Harris Gillespie Field 14018 - 100th Avenue Edmonton, Alberta	Director	Partner, Field & Field Barristers and Solicitors
Herbert Earl Joudrie Site 16, P.O. Box 46 SS #1 Calgary, Alberta	Director	President and Chief Executive Officer of Voyager Petroleum Ltd.; formerly Senior Vice-President of Ashland Oil Inc.; prior to that President and Chief Executive Officer of Ashland Oil Canada Limited
Kenneth Charles Comyns 7046 South Knolls Way Littleton, Colorado	Director	President of Nu-West Development Corporation (the Company's Colorado subsidiary); formerly Executive of the Company; prior to that Vice-President of Markborough Properties Ltd.
Matthew Rodney Gerla 309 Varsity Estates Bay N.W. Calgary, Alberta	Executive Vice-President & Director	Executive of the Company
Werner Dietrich Mross Box 7, Site 20, R.R. #4 Calgary, Alberta	Executive Vice-President	Executive of the Company
Francis Maurice Parsons #17 Chateaux on the Green II 1901 Varsity Estates Drive N.W. Calgary, Alberta	Senior Vice- President	Executive of the Company; formerly Consultant to the Company; and prior to that Director Group Development, Defense & Space Systems Group TRW, Inc.
Eli Radomsky 86 Great Oaks Sherwood Park, Alberta	Senior Vice-President	Executive of the Company; formerly a manager with Abbey Glen Property Corporation
Garnet Kenneth Wells 631 Woodpark Crescent S.W. Calgary, Alberta	Vice-President, Treasurer & Assistant Secretary	Executive of the Company
James Keith Maitland 10 Roselawn Place Calgary, Alberta	Vice-President	Executive of the Company
Douglas Norman Bigelow 11161 - 64A Avenue Delta, British Columbia	Vice-President	Executive of the Company
David Thomas Hughes 4307 Anne Avenue Calgary, Alberta	Vice-President	Executive of the Company
Donald Allan Ennis RR #3 Willowdale, Ontario	Vice-President	Executive of the Company; formerly Executive Vice-President of Runnymede Development Corporation Limited

<u>Name and Address</u>	<u>Office</u>	<u>Principal Occupation</u>
Brian Arthur Ridout 1807 - 96 Avenue S.W. Calgary, Alberta	Vice-President	Executive of the Company; formerly Vice-President of First City Development Consolidated Building Corporation; prior to that Vice-President of Oxford Development Group Ltd.
Douglas Barry Watson 1316 - 7A Street N.W. Calgary, Alberta	Secretary & General Counsel	Executive of the Company
John Austin Murphy 535 Woodpark Crescent S.W. Calgary, Alberta	Assistant Treasurer	Executive of the Company; formerly Financial Project Manager with Thomas J. Lipton Ltd.; prior to that engaged in public accounting practice
Theodore Schwartzberg 9564 Oakland Road S.W. Calgary, Alberta	Assistant Secretary	Executive of the Company; formerly Corporate Secretary of Abacus Cities Ltd; prior to that Assistant Secretary of Credit Lyonnais Canada Limited; prior to that legal advisor to the Quebec Securities Commission

Remuneration of Directors and Senior Officers

The aggregate remuneration paid or payable by Nu-West to the directors and senior officers of the Company for its last completed financial year ended December 31, 1978, was \$2,206,000 and similarly, for the seven months ended July 31, 1979, was \$646,000. Remuneration paid or payable to certain senior officers depends upon the earnings of Nu-West and accordingly the seven months' figure for 1979 is not necessarily indicative of the amount of remuneration that will be paid for the entire year.

Interest of Management and Others in Material Transactions

1. By agreements effective January 1, 1979 the Company agreed to advance \$660,000 to each of Kenneth C. Comyns and M. Rodney Gerla to assist each of them to purchase 60,000 shares to be issued as Class "A" and/or Class "B" Convertible shares as each directs the Company at a price of \$11.00 per share (after giving effect to the two for one share split to be voted upon on September 7, 1979). The advances will bear interest, from the date of issue of the shares, at the rate of 6% per annum and are repayable over ten years. The Company is obligated, subject to relevant statutory or regulatory requirements, to repurchase the shares during the said ten year period in the event of termination of employment or upon request, in each case at the election of the employee at a price which is the higher of the original cost less dividends received or the balance of the loan outstanding.
2. By agreement dated November 21, 1978, as amended January 12, 1979 and March 7, 1979 the Company agreed to purchase from Sydney Kahanoff all of his shares of Voyager Petroleum Ltd. and on January 12, 1979 paid him \$56,503,050 and received a conveyance from him of 2,260,122 shares. Under the said agreement, he had the right to exchange a further 20,000 shares of Voyager Petroleum Ltd. for cash and/or 9% Cumulative Redeemable First Preferred Shares, Series C of the Company. On April 6, 1979, the vendor elected to receive 9% Cumulative Redeemable First Preferred Shares, Series C of the Company.

MATERIAL CONTRACTS

Particulars regarding material contracts entered into by the Company or any subsidiary within the two years preceding the date hereof, other than contracts in the ordinary course of business, are as follows:

1. Underwriting agreement dated ● 1979 between the Company, Greenshields Incorporated and Richardson Securities of Canada. See Plan of Distribution.

2. Agreement dated August 29, 1979 between NWA and Shappell Industries of San Diego relative to the sale by NWA of 305 acres of land in San Diego, California for \$14,500,000 (U.S.). See Major Acquisitions and Dispositions.
3. See item 2, Major Acquisitions and Dispositions.
4. Underwriting agreement dated April 25, 1979 between the Company, Greenshields Incorporated and Richardson Securities of Canada pursuant to which the Company issued and sold \$30,000,000 of 11½% Sinking Fund Debentures, Series F due May 31, 1999.
5. Agreements dated November 21, 1978 between the Company and each of Sydney Kahanoff, Grace Petroleum Corporation, George E. Longphee, W. Fern Kahanoff, Harry Kay, A. Barry Beaven, Campbell M. MacInnes, Edward L. Molnar, Harold R. Allsopp, Gordon H. Lennard, Hubert A. Gray and Harold R. Logan whereby the Company purchased on January 12, 1979 from such persons a total of 5,157,170 shares of Voyager Petroleums Ltd. held by such persons for \$25.00 cash per share, approximately \$129,000,000 in the aggregate.
6. Agreement dated March 7, 1979 between the Company and Voyager Petroleums Ltd. pursuant to which the Company acquired on June 6, 1979 the remaining outstanding 2,486,721 shares of Voyager Petroleums Ltd. for a consideration of \$25 per share, which was satisfied by \$44,465,725 cash and 885,115 9% Cumulative Redeemable First Preferred Shares, Series C of the par value of \$20 each, of which 328,180 shares were subsequently repurchased.
7. Agreement dated August 14, 1978 between the Company and Amterre Development Inc. whereby the Company purchased the 163rd Street Center in North Miami Beach, Florida and the Cobb County Shopping Plaza in Smyrna, Georgia for approximately \$32,555,000 (U.S.).
8. Underwriting agreement dated June 19, 1978 between the Company, Greenshields Incorporated and Richardson Securities of Canada pursuant to which the Company issued and sold 750,000 of its 8.85% Cumulative Redeemable First Preferred Shares, Series B.
9. Underwriting agreement dated April 4, 1978 between the Company, Greenshields Incorporated and Richardson Securities of Canada pursuant to which the Company issued and sold \$20,000,000 of 11¼% Sinking Fund Debentures, Series E, due April 30, 1998.
10. Agreement dated December 30, 1977 between NWA and Hallcraft, whereby Hallcraft was merged into NWA effective April 30, 1978. The surviving company, NWA, is owned 80% by NWC, a wholly owned subsidiary of the Company and 20% by previous Hallcraft shareholders.
11. Underwriting agreement dated November 28, 1977 between the Company, Richardson Securities of Canada and Greenshields Incorporated pursuant to which the Company issued and sold 500,000 of its 8¾% Cumulative Redeemable First Preferred Shares, Series A.

Copies of the foregoing agreements may be inspected at the head office of the Company in Calgary, Alberta during normal business hours while the Class "A" Convertible shares are in the course of primary distribution and for 30 days thereafter.

LEGISLATION

Nu-West's rental properties in Alberta, British Columbia, Saskatchewan and Ontario are subject to rent control legislation currently in force in those provinces.

Voyager Petroleums Ltd. is affected by both federal and provincial legislation and regulation which substantially affect all aspects of the oil and gas industry in Canada.

INCOME TAX REASSESSMENT

Revenue Canada has issued a reassessment against Nu-West claiming that income tax is currently due in the amount of approximately \$4,130,000. The reassessed amount plus interest has been paid as a matter of procedure and a notice of objection has been filed. The re-assessment is based on Revenue Canada's position with respect to the timing for tax purposes of deductions of expenses of the cost of installation of utilities in lots being serviced. The Company has been advised by its tax counsel that Revenue Canada's position is unlikely to be upheld in court. If Revenue Canada's position is upheld there will be no adverse effect on the financial statements of Nu-West as the income taxes have been recorded in the financial statements as deferred income taxes.

SHARE PURCHASE PROGRAM

On December 19, 1978, the Company announced its intention to renew its share purchase program in 1979. The Board of Directors authorized the purchase of up to 900,000 (after giving effect to the proposed two for one share split) of its Class "A" Convertible and Class "B" Convertible shares without par value. If 900,000 such common shares are purchased, total purchases will amount to approximately 4.9% of the total common shares of the Company outstanding on December 31, 1978. The purchases will be effected from time to time on the instructions of the Company and will be made through the respective facilities, and in accordance with the respective rules, of the Alberta and Toronto stock exchanges. The prices which the Company will pay for such shares will be the prevailing market prices at the times of acquisition. Shares so purchased will be cancelled. To June 30, 1979, 425,100 shares, after giving effect to the proposed two for one share split, have been purchased under the renewed program. No purchases have been made since June 30, 1979.

ADDITIONAL INFORMATION

1. By an agreement dated April 1, 1979, V. H. Development II, Inc. a wholly owned subsidiary of NWA, agreed to purchase from George A. Vincent and C. Philip Hanson all of the issued shares of V. H. Development, Inc. for a maximum consideration of \$6,900,000 (U.S.). On May 25, 1979 \$2,500,000 (U.S.) of the purchase price was paid and the balance, to a maximum of \$4,400,000 (U.S.), is payable on an earn-out arrangement over the years 1979 to 1984, both inclusive. V. H. Development, Inc. is a builder/developer in the Greater Phoenix area.
2. On February 28, 1977, Nu-West Pacific, Inc. (NWP) entered into an agreement with United Homes Corporation and Bond Riley Corporation, whereby Nu-West Pacific, Inc. acquired substantially all of the assets of United Homes Joint Venture in Seattle, Washington consisting primarily of land held for development, developed building sites and houses under construction, for approximately \$5,500,000 (U.S.) which was satisfied by a cash payment of \$2,800,000 (U.S.) and the assumption of the debt of \$2,700,000 (U.S.) relating to the acquired assets. In May of 1978 NWP incorporated a subsidiary American Assets Inc., which on May 25, 1978, acquired all of the shares of American Pacific Corporation (APC), a land developer and home builder operating in the north Seattle/Everett and Tri-Cities areas of the State of Washington. The purchase price was approximately \$1,400,000 (U.S.) of which \$400,000 (U.S.) was paid with the balance payable over the next two and one half years. At the time of acquisition, APC had assets of approximately \$5,700,000 (U.S.) and liabilities of approximately \$4,300,000 (U.S.).
3. On March 18, 1977 the Company and Carma entered into a joint venture agreement whereby either party acquiring a parcel of land in excess of 80 acres in the Calgary area must offer a half interest in the lands to the other. If the offer is accepted, the offering party has a right to develop the land and be paid a fee by the other. The Company retains its right to participate under its marketing contracts with Carma in lot draws conducted by Carma with respect to Carma's share of the lots developed. Prior to this agreement, a joint venture agreement between the Company and Carma, dated April 10, 1972 as amended by an agreement dated June 14, 1972 was in existence. Under the prior agreement, as amended, each party had agreed to offer to the other, for joint development, certain parcels of land acquired by either party in the

Calgary area. By notice dated October 8, 1975, the Company terminated this agreement effective April 10, 1976. However, the notice of termination does not affect either party's rights under the agreement which accrued prior to the effective termination date.

4. On July 31, 1979, partners of Field & Field beneficially owned, directly or indirectly 17,750 Class "A" Convertible shares, 9,770 Class "B" Convertible shares and \$2,000 principal amount Series E Sinking Fund Debentures of the Company and partners of Macleod Dixon beneficially owned, directly or indirectly \$5,000 principal amount Series D Sinking Fund Debentures of the Company.

AUDITORS, TRANSFER AGENTS AND REGISTRARS

The auditors of the Company are Winspear Higgins Stevenson & Co., Chartered Accountants, 970 Bow Valley Square One, 202 - 6th Avenue S.W., Calgary, Alberta.

The transfer agent and registrar for the Class "A" Convertible and Class "B" Convertible shares is Montreal Trust Company at its principal offices in Calgary, Vancouver, Winnipeg, Toronto, Montreal and Halifax.

The transfer agent and registrar for the First Preferred Shares, Series A, B and C is The Canada Trust Company at its principal offices in Calgary, Vancouver, Regina, Winnipeg, Toronto and Montreal.

The registers for the transfer of the Series A, B, C, D, E and F Debentures are kept at the principal offices of Canada Permanent Trust Company in Calgary, Vancouver, Regina, Winnipeg, Toronto and Montreal.

PURCHASER'S STATUTORY RIGHTS OF WITHDRAWAL, RESCISSION AND DAMAGES

Sections 64 and 65 of The Securities Act (Alberta), sections 70 and 71 of The Securities Act, 1967 (Saskatchewan), sections 63 and 64 of The Securities Act (Manitoba) and sections 64 and 65 of The Securities Act (Ontario) provide, in effect, that where a security is offered to the public in the course of distribution:

- (a) a purchaser will not be bound by a contract for the purchase of such security if written or telegraphic notice of his intention not to be bound is received by the vendor or his agent not later than midnight on the second business day after the prospectus or amended prospectus offering such security is received or is deemed to be received by him or his agent; and
- (b) a purchaser has the right to rescind a contract for the purchase of such security, while still the owner thereof, if the prospectus or any amended prospectus offering such security contains an untrue statement of a material fact or omits to state a material fact necessary in order to make any statement contained therein not misleading in the light of the circumstances in which it was made, but no action to enforce this right can be commenced by a purchaser after the expiration of 90 days from the later of the date of such contract or the date on which such prospectus or amended prospectus is received or is deemed to be received by him or his agent.

Sections 61 and 62 of the Securities Act (British Columbia) provide, in effect, that where a security is offered to the public in the course of primary distribution:

- (a) a purchaser has the right to rescind a contract for the purchase of such security, while still the owner thereof, if a copy of the last prospectus, together with financial statements and reports and summaries of reports relating to the securities as filed with the Superintendent of Brokers, was not delivered to him or his agent prior to delivery to either of them of the written confirmation of the sale of the securities. Written notice of intention to commence an action for rescission must be served on the person who contracted to sell the security within 60 days of the date of delivery of the written confirmation, but no action shall be commenced after the expiration of three months from the date of service of such notice; and

- (b) a purchaser has the right to rescind a contract for the purchase of such security, while still the owner thereof, if the prospectus or any amended prospectus offering such security contains an untrue statement of a material fact or omits to state a material fact necessary in order to make any statement contained therein not misleading in the light of the circumstances in which it was made but no action to enforce this right can be commenced by a purchaser after the expiration of 90 days from the later of the date of such contract or the date on which such prospectus or amended prospectus is received or is deemed to be received by him or his agent.

Sections 70, 126 and 135 of The Securities Act, 1978 (Ontario), proclaimed to come into force on September 15, 1979, will provide, in effect, that when a security is offered in the course of a distribution or a distribution to the public:

- (a) a purchaser will not be bound by a contract for the purchase of such security if written or telegraphic notice of his intention not to be bound is received by the dealer from whom the purchaser purchased the security not later than midnight on the second business day after the latest prospectus and any amendment to the prospectus offering such security is received or deemed to be received by the purchaser or his agent, and
- (b) if a prospectus together with any amendment to the prospectus contains a misrepresentation, a purchaser who purchases a security offered thereby during the period of distribution or distribution to the public shall be deemed to have relied on such misrepresentation if it was a misrepresentation at the time of purchase and, subject to the limitations set forth in the Act,
 - (1) has a right of action for damages against,
 - (i) the issuer of a selling security holder on whose behalf the distribution is made.
 - (ii) each underwriter required to sign the certificate required by section 58 of the Act.
 - (iii) every director of the issuer at the time the prospectus or amendment was filed.
 - (iv) every person or company whose consent has been filed pursuant to a requirement of the regulations under the Act but only with respect to reports, opinions or statements made by them, and
 - (v) every other person or company who signed the prospectus or the amendment.

but no action to enforce the right can be commenced by a purchaser more than the earlier of 180 days after the purchaser first had knowledge of the facts giving rise to the cause of action or three years after the date of the transaction that gave rise to the cause of action or

- (2) where the purchaser purchased the security from a person or company referred to in (i) or (ii) above or from another underwriter of the securities, he may elect to exercise a right of rescission against such person, company or underwriter, in which case he shall have no right of action for damages against such person, company or underwriter, but no action to enforce this right can be commenced by a purchaser more than 180 days after the date of the transaction that gave rise to the cause of action.

Reference is made to the aforesaid Acts for the complete texts of the provisions under which the foregoing rights are conferred and the foregoing summary is subject to the express provisions thereof.

AUDITORS' REPORT

To the Directors,
Nu-West Development Corporation Ltd.

We have examined the consolidated balance sheet of Nu-West Development Corporation Ltd. and subsidiaries as at December 31, 1978 and the consolidated statements of income, retained earnings and changes in financial position for the five years then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company and subsidiaries as at December 31, 1978 and the results of their operations and the changes in their financial position for the five years ended December 31, 1978 all in accordance with generally accepted accounting principles applied on a consistent basis.

Calgary, Alberta
March 2, 1979
(● , 1979 with respect
to Note 14)

●
Chartered Accountants

NU-WEST DEVELOPMENT CORPORATION LTD. AND SUBSIDIARIES

Consolidated Balance Sheet (In Thousands of Dollars)

Assets	Note Reference	December 31 1978	June 30 1979 (unaudited)
Cash		18,797	10,355
Marketable securities	2	34,538	38,321
Receivables		57,975	72,921
Work in progress		132,175	168,162
Developed construction sites	3, 7	56,868	62,439
Subdivisions under development	7, 13	39,327	45,561
Land held for development	5, 7	159,566	204,313
Rental properties	6, 7, 13	148,915	146,261
Investments	4	69,162	66,785
Natural gas and oil properties	6	—	208,979
Buildings and equipment	6	11,375	28,301
Organization and financing costs	6	3,814	4,623
		<u>732,512</u>	<u>1,057,021</u>
Liabilities			
Bank indebtedness	13	39,395	89,038
Payables and accruals		124,600	133,845
Mortgage advances and customer deposits		86,869	114,463
Income taxes		3,601	—
Deferred income taxes	17	29,729	50,624
Long term debt	8	332,992	526,578
Deferred income		5,735	11,384
		<u>622,921</u>	<u>925,932</u>
Minority interest		<u>186</u>	<u>376</u>
Shareholders' Equity			
Share capital			
Preferred shares	9	24,806	42,194
Common shares	9	5,685	6,691
Retained earnings		78,914	81,828
		<u>109,405</u>	<u>130,713</u>
		<u>732,512</u>	<u>1,057,021</u>

The accompanying notes form part of this statement.

ON BEHALF OF THE BOARD

(Signed) R. Gerla, Director

(Signed) D. J. Cairns, Director

NU-WEST DEVELOPMENT CORPORATION LTD. AND SUBSIDIARIES

Consolidated Statement of Income (In Thousands of Dollars except earnings per share)

	Note Reference	Six Months Ended June 30 (unaudited)		Year Ended December 31				
		1979	1978	1978	1977	1976	1975	1974
Real estate revenue								
Housing		136,421	102,008	268,526	233,674	180,947	117,820	83,442
Commercial		5,498	365	8,695	1,300	—	—	—
Land		50,387	36,934	100,760	66,985	21,973	17,028	7,977
Rental		9,529	5,399	13,059	6,257	3,961	2,750	2,291
Natural gas and oil revenue net of royalties and mineral tax		11,576	—	—	—	—	—	—
Other		8,172	6,451	16,630	10,943	8,840	5,801	4,934
		<u>221,583</u>	<u>151,157</u>	<u>407,670</u>	<u>319,159</u>	<u>215,721</u>	<u>143,399</u>	<u>98,644</u>
Cost of sales and operating expenses		185,378	131,575	350,262	272,462	182,331	116,329	82,235
Interest	10	26,982	11,401	26,330	18,762	10,800	5,086	3,599
Depreciation		1,599	973	1,984	1,651	1,095	533	401
Depletion		3,928	—	—	—	—	—	—
Amortization		272	232	539	416	277	178	68
		<u>218,159</u>	<u>144,181</u>	<u>379,115</u>	<u>293,291</u>	<u>194,503</u>	<u>122,126</u>	<u>86,303</u>
Net income from operations		3,424	6,976	28,555	25,868	21,218	21,273	12,341
Income taxes		1,448	3,736	13,475	13,435	10,131	10,669	6,437
Net income before the undernoted		1,976	3,240	15,080	12,433	11,087	10,604	5,904
Dividends from marketable securities		1,389	731	1,847	805	—	—	—
Equity in net income, after income taxes, of Carma Developers Ltd. and other affiliates ...		4,388	1,708	9,885	6,165	5,168	3,349	1,659
Minority interest		(1,812)	161	312	—	—	—	—
Gain on sale of shares of Eau Claire Estates Ltd. .		3,897	—	—	—	—	—	—
Net income		<u>9,838</u>	<u>5,840</u>	<u>27,124</u>	<u>19,403</u>	<u>16,255</u>	<u>13,953</u>	<u>7,563</u>
Earnings per share	11							
Before non-recurring item		0.51	0.55	2.66	1.99	1.69	1.45	0.81
After non-recurring item		0.93	0.55	2.66	1.99	1.69	1.45	0.81
Diluted earnings		0.93	0.55	2.66	1.99	1.69	1.45	0.79

Consolidated Statement of Retained Earnings (In Thousands of Dollars)

	Note Reference	Six Months Ended June 30 (unaudited)		Year Ended December 31				
		1979	1978	1978	1977	1976	1975	1974
Beginning balance		78,914	60,554	60,554	45,689	31,662	18,989	12,130
Net income		<u>9,838</u>	<u>5,840</u>	<u>27,124</u>	<u>19,403</u>	<u>16,255</u>	<u>13,953</u>	<u>7,563</u>
		88,752	66,394	87,678	65,092	47,917	32,942	19,693
Dividends	12	3,526	710	3,305	4,538	2,228	1,280	704
Premium on redemption of shares	9	3,338	1,246	5,338	—	—	—	—
Amortization of share issue costs		60	—	121	—	—	—	—
Ending balance		<u>81,828</u>	<u>64,438</u>	<u>78,914</u>	<u>60,554</u>	<u>45,689</u>	<u>31,662</u>	<u>18,989</u>

The accompanying notes form part of these statements.

NU-WEST DEVELOPMENT CORPORATION LTD. AND SUBSIDIARIES

Consolidated Statement of Changes in Financial Position

(In Thousands of Dollars)

	Six Months Ended June 30		Year Ended December 31				
	(Unaudited)						
	1979	1978	1978	1977	1976	1975	1974
Cash provided by operations:							
Net income	9,838	5,840	27,124	19,403	16,255	13,953	7,563
Items not requiring (providing) cash from operations —							
Deferred income taxes	4,697	(600)	7,575	8,193	7,091	2,053	667
Depreciation, depletion and amortization	5,799	1,205	2,523	2,067	1,372	711	469
Equity income from affiliates	(4,388)	(1,708)	(9,885)	(6,165)	(5,168)	(3,349)	(1,659)
Add dividends received from affiliates	1,392	746	1,431	904	549	137	73
Dividends on marketable securities	(1,389)	(731)	(1,847)	(805)	—	—	—
Minority interest in net income	1,812	(161)	(312)	—	—	—	—
Deferred income on sale of rental properties	—	—	—	—	(39)	(39)	(39)
Cash flow from operations	17,761	4,591	26,609	23,597	20,060	13,466	7,074
Cash was used for (provided from) the following operational activities:							
Changes in the following operational balances —							
Accounts receivable	8,933	(2,726)	14,200	20,446	11,341	2,779	1,163
Work in progress and developed construction sites	41,460	27,210	50,115	7,161	53,009	17,730	21,186
Subdivisions under development	6,234	9,656	22,417	(5,668)	11,434	5,861	2,102
Investments	(5,610)	5,325	18,609	7,205	6,889	2,776	1,651
Bank indebtedness	(49,643)	(1,782)	(14,032)	3,215	(17,912)	11,928	(10,334)
Accounts payable and mortgage advances	(23,155)	(37,860)	(76,181)	(21,522)	(44,915)	(14,296)	(20,960)
Income taxes	3,601	(1,322)	(1,757)	(1,844)	4,450	(1,075)	(702)
Deferred income	(702)	(565)	(3,704)	(1,685)	(20)	(209)	—
Net increase (decrease) in the following operational balances less long term debt assumed —							
Land held for development	14,660	15,441	16,072	6,440	14,497	(86)	8,951
Rental properties	3,746	1,705	10,652	7,088	7,381	(705)	411
Natural gas and oil properties	3,275	—	—	—	—	—	—
Buildings and equipment	2,146	(930)	(2,276)	4,354	2,752	1,410	458
Minority interest investment	—	(566)	(498)	—	—	—	—
Cash used for operational activities	4,945	13,586	33,617	25,190	48,906	26,113	3,926
Net cash provided by (applied to) operational activities	12,816	(8,995)	(7,008)	(1,593)	(28,846)	(12,647)	3,148
Cash was provided by (used for) the following other activities:							
Purchase of Voyager Petroleum Ltd. net of long term debt assumed	(60,967)	—	—	—	—	—	—
Purchase of marketable securities (net)	(3,037)	(4,439)	(15,079)	(17,255)	(2,125)	—	—
Redemption of debentures	—	(1,295)	(2,450)	(1,150)	(650)	—	—
Common share dividends	(1,188)	—	(725)	(4,499)	(2,228)	(1,280)	(703)
Preferred share dividends	(1,202)	(437)	(1,490)	(39)	—	—	—
Redemption of shares							
Par value of preferred shares redeemed	(314)	—	(194)	—	—	—	—
Average stated value of common shares redeemed	(130)	(66)	(252)	—	—	—	—
Premium on redemption	(3,338)	(1,246)	(5,338)	—	—	—	—
Organization and financing costs	(1,141)	(708)	(1,668)	(1,284)	(1,455)	(642)	(210)
Net increase (reduction) in other long term debt	968	6,611	4,352	(449)	4,025	111	(3,902)
Issue of debentures	30,000	20,000	20,000	20,000	37,500	15,000	—
Issue of preferred shares	17,702	—	15,000	10,000	—	—	—
Dividends on marketable securities	1,389	731	1,847	805	—	—	—
Exercise of options on shares	—	—	—	—	—	36	138
Conversion of debentures payable	—	—	—	—	—	—	1,248
Net cash provided by (applied to) other activities	(21,258)	19,151	14,003	6,129	35,067	13,225	(3,429)
INCREASE (DECREASE) IN CASH	(8,442)	10,156	6,995	4,536	6,221	578	(281)

The accompanying notes form part of this statement.

NU-WEST DEVELOPMENT CORPORATION LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Information as at June 30, 1979 and for the six months ended June 30, 1979 is unaudited)

1. SIGNIFICANT ACCOUNTING POLICIES

A) The Company's accounting policies are in accordance with the recommendations of the Canadian Institute of Chartered Accountants.

B) Consolidation and accounting presentation

The consolidated financial statements include:

- i) the assets, liabilities, revenue and expenses of all the Company's subsidiaries using the purchase accounting method,
- ii) the proportionate share of the assets, liabilities, revenue and expenses of the Company's interest in incorporated and unincorporated joint ventures, and
- iii) the proportionate share of the net income or loss of affiliated companies in which the Company has a substantial interest. The value of these investments has been adjusted to reflect the Company's equity in the book values of the underlying net assets of these companies.

C) Revenue

i) Housing:

Revenue is recorded when each house is completed and accepted by the purchaser.

ii) Commercial:

Revenue is recorded when the following criteria are met:

- a) the building is substantially complete,
- b) the purchaser has accepted the building and all conditions of the sales agreement have been satisfied,
- c) an appropriate down payment has been received, and
- d) the purchaser's financial stability is satisfactory.

iii) Land:

- a) Revenue on developed construction sites used in housing production is recorded on the same basis as housing revenue.
- b) Revenue on developed construction sites and other land sold to outsiders is recorded at the time the following criteria are met:
 - 1) the agreement of purchase and sale is unconditional,
 - 2) an appropriate downpayment of not less than 15% of the purchase price has been received, and
 - 3) the purchaser's financial stability is satisfactory.

iv) Rental and other:

Revenue is recorded as it is earned.

v) Natural gas and petroleum:

Natural gas and petroleum revenue is recorded as income upon delivery to the purchaser. Payments received prior to delivery (under a "take or pay" contract) are recorded as deferred income until such time as delivery occurs or the purchaser's right to delivery has expired.

D) Costing

All work in progress, land, rental properties and natural gas and petroleum properties are recorded at the lower of cost and net realizable value.

i) Work in progress:

Work in progress includes houses and projects under construction and completed houses, including land. Land costs are transferred into work in progress when construction begins. Interest on mortgage advances and related development costs are capitalized during construction and for six months after completion. Holding costs subsequent to this period are charged to operations as incurred.

ii) Developed construction sites:

Developed construction sites are held for future construction of houses and projects. No costs are capitalized on these sites.

iii) Subdivisions under development and land held for development:

Costs are allocated to subdivisions under development on a saleable front footage basis. Costs are capitalized for interest, property taxes and overhead on land held for development. Costs are transferred to subdivisions under development when the subdivision is commenced.

1. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

iv) Rental properties and rental properties under construction:

Rental properties include rental properties under construction. Interest and related development costs are allocated to each project until such time as the project is 100% occupied or six months after the initial occupancy, whichever occurs first.

v) Natural gas and petroleum properties:

The Company follows the full cost method of accounting for natural gas and petroleum properties whereby all costs relating to the exploration for and development of natural gas and oil reserves, whether productive or non-productive, are capitalized. Such costs include property acquisition costs, geological and geophysical costs, costs of drilling productive and non-productive wells and overhead related to exploration activities including interest on borrowed funds. Proceeds from disposal of properties are normally applied as a reduction of the cost of the remaining full cost pool.

E) Depreciation, depletion and amortization

- i) The Company follows the sinking fund method of accounting for depreciation of rental properties. Under this method building costs are being written off over the estimated useful life in annual amounts increasing at the rate of 5% compounded annually. The estimated useful life is 50 years for office, major apartment buildings and shopping centres, 40 years for town houses and smaller rental units, and 30 years for mobile home parks. Other buildings and equipment (excluding natural gas and petroleum equipment) are depreciated on the diminishing balance basis.
- ii) The cost of equity financing is charged to retained earnings on a straight line basis over a 10 year period. Costs related to redemption of debt are charged to operations over the term of the replacement debt. Costs of debt financing are charged to operations over the retractable term of the debt.
- iii) The excess of cost over equity value of investment in affiliates is charged to operations on a straight line basis over a 10 year period.
- iv) Depletion of natural gas and petroleum costs and depreciation of production buildings and equipment are provided on the unit of production method based on the estimated proven natural gas and petroleum reserves as determined by the Company and substantiated by independent professional reservoir engineers.

F) Deferred income taxes

Deferred income taxes are primarily attributable to:

- i) capital cost allowance claimed in excess of depreciation recorded in the accounts,
- ii) deduction of utility costs expended on the development of subdivisions prior to income recognition,
- iii) deferred proceeds on installment land sales,
- iv) deduction of financing costs on work in progress and land not yet included in income,
- v) organization and financing costs claimed in excess of amortization recorded in the accounts, and
- vi) natural gas and petroleum exploration and development costs claimed in excess of depletion recorded in the accounts.

G) Foreign transactions and operations

Foreign assets and liabilities are translated to Canadian dollars at the rate of exchange in effect at the balance sheet date. Foreign revenues and expenses are translated to Canadian dollars at the weighted average rates in effect during the period. Unrealized gains are recorded as deferred income and unrealized losses which exceed unrealized gains, are expensed in the current period. Realized gains or losses are reflected in the statement of income at the time they occur.

2. MARKETABLE SECURITIES

Marketable securities have a year end market value of \$36,638,000 (June 30, 1979 — \$42,755,000).

3. DEVELOPED CONSTRUCTION SITES

Developed construction sites include option deposits of \$312,000 (June 30, 1979 — \$449,000) which when exercised will require an additional expenditure of \$2,196,000 (June 30, 1979 — \$7,234,000).

4. INVESTMENTS

	(In Thousands of Dollars)	
	December 31	June 30
	1978	1979
		(unaudited)
Marketable		
5,398,672 (June 30, 1979 — 5,398,672) common shares of Carma Developers Ltd.		
(Market value December 31, 1978 — \$53,987,000; June 30, 1979 — \$82,330,000)		
Share of equity	28,730	32,050
Excess of cost of shares over equity value at date of acquisition	1,504	1,420
Book value	<u>30,234</u>	<u>33,470</u>
Non-marketable		
Common shares		
Share of equity	1,748	2,299
Excess of cost of shares over equity value at date of acquisition	455	430
Book value	<u>2,203</u>	<u>2,729</u>
Total marketable and non-marketable shares	32,437	36,199
Other, at cost		
Second mortgages receivable	12,807	16,655
Common shares	4,924	—
Investment in Voyager Petroleum Ltd. (Note 14(a))	4,328	—
Interest bearing loans	4,130	3,098
Interest bearing agreements for sale	10,048	9,880
Debentures	72	—
Other	416	953
	<u>69,162</u>	<u>66,785</u>

5. LAND HELD FOR DEVELOPMENT

	(In Thousands of Dollars)	
	December 31	June 30
	1978	1979
		(unaudited)
Land acquisition costs		
Balance, beginning of period	94,251	140,219
Land purchases	93,117	52,392
Amounts transferred to cost of sales, subdivisions under development or projects under construction	(47,149)	(19,544)
	<u>140,219</u>	<u>173,067</u>
Development costs capitalized		
Balance, beginning of period	3,922	6,900
Costs capitalized	12,546	4,317
Amounts transferred to cost of sales, subdivisions under development or projects under construction	(9,568)	(3,037)
	<u>6,900</u>	<u>8,180</u>
Other		
Balance, beginning of period	6,552	10,130
Costs capitalized		
Property taxes	710	340
Administrative and general operating expenses	421	543
Interest	6,450	5,672
Reduction to net realizable value	(91)	—
Amounts transferred to cost of sales, subdivisions under development or projects under construction	(3,912)	(800)
	<u>10,130</u>	<u>15,885</u>
Option deposits (additional expenditures required to acquire land under option December 31, 1978 — \$36,510,000; June 30, 1979 — \$41,302,000)	2,317	7,181
	<u>159,566</u>	<u>204,313</u>

6. SUMMARY OF DEPRECIABLE AND DEPLETABLE ASSETS

(In Thousands of Dollars)

	December 31, 1978			June 30 1979 (unaudited)
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Real Estate				
Rental properties	151,025	2,110	148,915	146,261
Buildings and equipment	14,787	3,412	11,375	11,324
Resource assets				
Natural gas and petroleum properties	—	—	—	208,979
Equipment	—	—	—	16,977
Organization and financing costs	5,379	1,565	3,814	4,623
	<u>171,191</u>	<u>7,087</u>	<u>164,104</u>	<u>388,164</u>

7. APPRAISALS

Substantially all of the Company's developed construction sites, subdivisions under development, land held for development, and rental properties were appraised by J.C. Leslie Appraisals Ltd., Appraisers and Real Estate Consultants, Calgary, Alberta, as at December 31, 1978. The following table shows the appraised value of these assets, and in addition, shows the Company's proportionate share of the appraised value of assets of the same character owned by Carma Developers Ltd. and Mayotte Limited based on appraisals also made by J.C. Leslie Appraisals Ltd.

(In Thousands of Dollars)
December 31, 1978

	Property held by the Company	Share of property held by Carma Developers Ltd. and Mayotte Limited	Total
Appraised value			
Developed construction sites	87,300	1,185	88,485
Subdivisions under development	57,459	33,831	91,290
Land held for development	286,694	159,147	445,841
Rental properties	192,683	22,820	215,503
	<u>624,136</u>	<u>216,983</u>	<u>841,119</u>
Excess of appraised value over book value			
Developed construction sites	30,432	305	30,737
Subdivisions under development	18,132	13,692	31,824
Land held for development	127,128	90,131	217,259
Rental properties	43,768	5,603	49,371
	<u>219,460</u>	<u>109,731</u>	<u>329,191</u>

The appraisals include no provision for selling and administrative expenses related to the completion and sale of the above assets. The appraised value of subdivisions under development has been adjusted to reflect the estimated costs of completion.

8. LONG TERM DEBT

	(In Thousands of Dollars)				
	December 31 1978	June 30 1979 (unaudited)			
Payable on land held for development					
Agreements for sale and mortgages bear interest at rates varying from 0% to 15% — weighted average of 11.1% (June 30, 1979 from 0% to 17.75% — weighted average of 11.5%)	103,043	133,130			
Agreements for sale					
The agreements arise from the acquisition of shares of certain subsidiary and affiliate companies and are secured. The agreements bear interest at rates varying from 5% to 12% — weighted average of 8.8% (June 30, 1979 from 5% to 14% — weighted average of 8.9%)	4,581	1,804			
Payable on rental properties					
The payables on rental properties bear interest at rates varying from 4½% to 14½% — weighted average of 9.9% (June 30, 1979 from 4½% to 15% — weighted average of 10.0%)	124,178	118,293			
Term bank loan					
The loan arose from the acquisition of the shares of Voyager Petroleum Ltd. and is secured by those shares. The loan bears interest at prime plus 1¼%	—	130,666			
Crude oil and natural gas production loan					
The loan is secured by the Company's interest in certain natural gas and oil properties. The loan bears interest at prime plus ½%	—	7,750			
Sinking Fund Debentures					
The debentures are secured by a floating charge upon the undertaking and all property and assets of the Company subject to certain allowable prior charges:					
	<u>Interest</u>	<u>Maturity</u>	<u>Retractable</u>		
Series A	11.5%	1995	1981	13,600	13,600
Series B	11.5%	1996	1983	16,450	16,450
Series C	11.5%	1996	1985	19,000	19,000
Series D	11¼%	1997	1987	19,200	19,200
Series E	11¼%	1998	1986	20,000	20,000
Series F	11½%	1999	1989	—	30,000
Other, at 0% to 13½% — weighted average of 8.6% (June 30, 1979 from 0% to 13¾% — weighted average of 9.7%)				12,940	16,685
				332,992	526,578

9. SHARE CAPITAL

- a) Preferred shares
Authorized 2,000,000 (June 30, 1979 — 5,000,000) Cumulative Redeemable First Preferred Shares with par value of \$20 each
Issued and outstanding
490,300 8¼% First Preferred Shares, Series A (June 30, 1979 — 484,400 shares)
750,000 8.85% First Preferred Shares, Series B (June 30, 1979 — 740,200 shares)
June 30, 1979 — 885,115 9% First Preferred Shares, Series C. See Note 14(a).

9. SHARE CAPITAL (Cont'd)

b) Common shares

Authorized, aggregate consideration not to exceed \$50,000,000

15,000,000 Class A Convertible shares without nominal or par value and

15,000,000 Class B Convertible shares without nominal or par value

Issued and outstanding

5,491,957 Class A Convertible shares (June 30, 1979 — 4,546,116 shares)

3,762,870 Class B Convertible shares (June 30, 1979 — 4,564,353 shares)

- c) On November 19, 1978, the directors approved an increase from \$10,000,000 to \$50,000,000 in the maximum aggregate consideration for which the authorized Class A Convertible and Class B Convertible shares may be issued.
- d) On December 11, 1978, the common shareholders approved the division of the Company's issued and outstanding common share capital on a three for two basis and an increase in the authorized common share capital from 10,125,000 Class A Convertible shares to 15,000,000 Class A Convertible shares and from 10,125,000 Class B Convertible shares to 15,000,000 Class B Convertible shares.
- e) On July 14, 1978, the Company issued 750,000 8.85% Cumulative Redeemable First Preferred Shares, Series B, for \$15,000,000. On June 6, 1979, the Company issued 885,115 9% Cumulative Redeemable First Preferred Shares, Series C for \$17,702,000. The shares were issued for shares of Voyager Petroleums Ltd. in conjunction with the purchase of Voyager. See Note 14(a).
- f) During 1978, the Company issued 89,601 Class B Convertible shares by way of stock dividends which increased the common share capital by \$1,090,000. To June 30, 1979 the Company issued 68,192 Class B Convertible shares by way of stock dividends which increased the common share capital by \$1,136,000.
- g) During 1978, the following shares were redeemed or purchased for cancellation:
- i) 9,700 8% Cumulative Redeemable First Preferred Shares, Series A, for a consideration of \$193,000, and
 - ii) 475,950 Class A Convertible shares for a consideration of \$5,591,000.
- To June 30, 1979, the following shares were redeemed or purchased for cancellation:
- i) 5,900 8% Cumulative Redeemable First Preferred Shares, Series A, for a consideration of \$118,000,
 - ii) 9,800 8.85% Cumulative Redeemable First Preferred Shares, Series B, for a consideration of \$196,000, and
 - iii) 212,550 Class A Convertible shares for a consideration of \$3,468,000.

10. INTEREST

	(In Thousands of Dollars)	
	December 31 1978	June 30 1979 (unaudited)
Interest on long term debt	25,143	18,395
Other interest	7,637	14,594
	32,780	32,989
Interest applicable to land held for development	(6,450)	(5,672)
Interest applicable to natural gas and oil properties	—	(335)
Interest expense	26,330	26,982

11. EARNINGS PER SHARE

	December 31 1978	June 30 1979 (unaudited)
Earnings per share before non-recurring item	\$2.66	\$0.51
Earnings per share after non-recurring item	\$2.66	\$0.93
Diluted earnings per share	\$2.66	\$0.93

1978 earnings per share and diluted earnings per share have been calculated using 9,652,309 shares (weighted average shares outstanding during 1978 after adjusting for the stock dividend of May 31, 1979). June 30, 1979 earnings per share and diluted earnings per share have been calculated using 9,284,564 shares (weighted average shares outstanding during the first six months of 1979).

12. DIVIDENDS

		(In Thousands of Dollars)	
		December 31	June 30
		1978	1979
			(unaudited)
a)	The following dividends were paid:		
	Preferred share dividends	1,490	1,202
	Common share cash dividends	725	1,188
	Common share stock dividends	<u>1,090</u>	<u>1,136</u>
		<u>3,305</u>	<u>3,526</u>
b)	Under the terms of the Sinking Fund Debentures, the shareholders' equity as a result of distributions, cannot be reduced below \$69,500,000 (June 30, 1979 — \$100,000,000 as outlined in Note 14(d)).		
c)	Dividends cannot be paid on the Class A and Class B Convertible shares of the Company in priority to the 8¼% Cumulative Redeemable First Preferred Shares, Series A, the 8.85% Cumulative Redeemable First Preferred Shares, Series B, and at June 30, 1979 the 9% Cumulative Redeemable First Preferred Shares, Series C.		

13. CONTINGENT LIABILITIES AND COMMITMENTS

- a) The bank indebtedness is secured by a general assignment of receivables, second mortgages receivable, shares of Carma Developers Ltd. and floating charge debentures.
- b) The Company is contingently liable with respect to:
 - i) letters of credit issued by a chartered bank totalling \$6,176,000 (June 30, 1979 — \$5,915,000). The letters of credit have been issued in lieu of performance deposits,
 - ii) guaranteed bank loans of affiliates in the amount of \$3,200,000 (June 30, 1979 — \$3,306,000), and
 - iii) buy back agreements amounting to \$1,685,000 (June 30, 1979 — \$1,296,000).
- c) The Company is committed to spend an estimated additional \$17,948,000 (June 30, 1979 — \$13,706,000) to complete subdivisions under development in accordance with development agreements entered into with various municipal governments and to complete rental properties under construction.

14. SUBSEQUENT EVENTS

- a) On January 12, 1979, the Company purchased 5,157,170 shares (approximately 65% of the outstanding shares) of Voyager Petroleum Ltd. for \$128,929,000 (\$25 per share). On June 6, 1979 the remaining 2,486,721 shares of Voyager Petroleum Ltd. were obtained for \$44,466,000 and 885,115 9% Cumulative Redeemable First Preferred Shares, Series C of the Company having a par value of \$17,702,000. Pursuant to an offering circular dated June 18, 1979 the Company made an offer to purchase the 9% Cumulative Redeemable First Preferred Shares, Series C at \$20 per share. The Company purchased 328,180 9% Cumulative Redeemable First Preferred Shares, Series C, having a par value of \$6,563,000 under the offer on July 18, 1979.
Prior to entering into an agreement with the major shareholders on November 22, 1978 the Company had purchased 271,100 shares of Voyager Petroleum Ltd. for an amount of \$4,212,000.
- b) On February 5, 1979, the Company declared a \$0.25 per share dividend on the Class A Convertible shares and an equivalent value stock dividend on the Class B Convertible shares. The dividend was paid on May 31, 1979 to shareholders of record May 17, 1979.
- c) The Company increased the authorized Cumulative Redeemable First Preferred Shares with par value of \$20 each from 2,000,000 shares to 5,000,000 shares. This increase was approved by the common shareholders on December 11, 1978 and by the preferred shareholders on March 1, 1979.
- d) Pursuant to an Underwriting Agreement dated April 25, 1979 the Company issued and sold \$30,000,000 11½% Sinking Fund Debentures, Series F, due 1999. Under the terms of the 11½% Sinking Fund Debentures, Series F the restriction on shareholders' equity distributions referred to in Note 12(b) was increased to \$100,000,000.
- e) On April 1, 1979 V. H. Development II, Inc. (a wholly owned subsidiary of Nu-West Development Corporation of Arizona) agreed to purchase all of the issued shares of V. H. Development, Inc. for a maximum consideration of \$6,900,000 (U.S.). On May 25, 1979, all of the issued shares of V. H. Development, Inc. were acquired. To June 30, 1979 cash payments of \$2,500,000 (U.S.) have been made and the balance, to a maximum of \$4,400,000 (U.S.) is payable on an earn-out arrangement over the years 1979 to 1984, both inclusive.
- f) On September 7, 1979, the shareholders ● a two for one share split of the Class A and Class B Convertible shares.
- g) Pursuant to an Underwriting Agreement dated ●, 1979 the Company has agreed to issue and sell ● Class A Convertible shares at a price of \$ ● per share. See Note 14(f).

15. JOINT VENTURE OPERATIONS

The Company conducts significant portions of its land development and oil and gas operations through joint ventures. The Company's proportionate share of joint venture balances in the financial statements are:

	(In Thousands of Dollars)	
	December 31 1978	June 30 1979 (unaudited)
Assets	67,680	315,977
Liabilities	43,971	77,908
Revenue	19,885	24,530
Net income	3,829	6,014

16. REMUNERATION TO DIRECTORS AND SENIOR OFFICERS

The aggregate direct remuneration to directors and senior officers numbering twenty-two, totals \$2,206,000 for 1978; which amount includes \$53,000 of fees paid to directors. In addition, legal fees of \$182,000 were paid to the firm of barristers and solicitors of which one of the directors is a partner. For the six month period ended June 30, 1979 the aggregate direct remuneration to directors and senior officers numbering twenty-three amounted to \$573,000 which amount included \$18,000 in directors fees. In addition, legal fees of \$228,000 were paid to the firm of barristers and solicitors of which one of the directors is a partner.

17. DEFERRED INCOME TAXES

As a result of an income tax reassessment by Revenue Canada, Taxation for the 1975 taxation year (issued in May of 1979) the deferred income taxes payable, as at June 30, 1979 could be reduced by \$4,130,000. The reassessed amount plus interest has been paid as a matter of procedure and recorded as a receivable in the receivables section of the June 30, 1979 balance sheet. The Company has been advised by its tax counsel that Revenue Canada's position is unlikely to be upheld in court.

18. ADDITIONAL INFORMATION

	(In Thousands of Dollars)	
	December 31 1978	June 30 1979 (unaudited)
The following presentation sets out the working capital of the Company:		
Current assets	393,296	473,817
Current liabilities	319,563	422,261
	<u>73,733</u>	<u>51,556</u>

In determining working capital, the following assets and liabilities have been segregated between current and non-current:

	(In Thousands of Dollars)			
	December 31 1978		June 30 1979 (unaudited)	
	Current	Non- Current	Current	Non- Current
Interest bearing loans and agreements for sale	5,241	8,937	4,573	8,405
Second mortgages receivable	1,803	11,004	1,725	14,930
Land held for development	46,572	112,994	69,760	134,553
Deferred income taxes	5,149	24,580	7,162	43,462
Long term debt	59,716	273,276	77,466	449,112
Deferred income	233	5,502	287	11,097

CERTIFICATE OF THE COMPANY

Dated: August 30, 1979

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by: Part VII of the Securities Act (British Columbia), Part 7 of The Securities Act (Alberta), Part VIII of The Securities Act, 1967 (Saskatchewan), Part VII of The Securities Act (Manitoba), Part VII of The Securities Act (Ontario), the Securities Act (Quebec) and Section 13 of the Securities Act (New Brunswick) and by the respective regulations made under such Acts.

(Signed) Werner D. Mross
Acting President

(Signed) G. K. Wells
Chief Financial Officer

On behalf of the Board of Directors by:

(Signed) R. Gerla
Director

(Signed) D. J. Cairns
Director

CERTIFICATE OF THE UNDERWRITERS

Dated: August 30, 1979

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by: Part VII of the Securities Act (British Columbia), Part 7 of The Securities Act (Alberta), Part VIII of The Securities Act, 1967 (Saskatchewan), Part VII of The Securities Act (Manitoba), Part VII of The Securities Act (Ontario), the Securities Act (Quebec) and Section 13 of the Securities Act (New Brunswick) and by the respective regulations made under such Acts.

GREENSHIELDS INCORPORATED

RICHARDSON SECURITIES OF CANADA

By: (Signed) Jean L. Richard

By: (Signed) P. E. Marett

The following includes the name of every person having an interest, either directly or indirectly, to the extent of not less than 5%, in the capital of Greenshields Incorporated: M. B. Deans, B. P. Drummond, M. J. Howe, Peter Kilburn, F. S. Martin, J. B. Newman, J. P. W. Ostiguy, E. D. Scott and B. G. Willis; and in the capital of Richardson Securities of Canada: George T. Richardson.

